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LATE NEWS

Soweto Paper Curbed Further

JOHANNESBURG (NYT) — South Africa was said to have ordered restrictions Monday on the Soweto, a black-owned newspaper that recently opposed apartheid, in the latest reported action of the South African government to curb the press.

The paper was said by police Monday to have been ordered to stop publishing any statements by any of its 13 organizations supporting an anti-apartheid campaign called "Christians against the emergency." The 10-day protest, set to begin Sunday, was intended to include the suspension of schooling events and union meetings, and a boycott of Johannesburg's largely white-owned stores.

SPECIAL TODAY

RECEIVING BIRTHDAY

Washington Post is preparing very different celebrations to mark the city's 750th birthday.

A special page, Page 11.

DETAILS OF THE

Portrait of the

late Duchess of Windsor, whose Paris home is being turned into a museum by Mohamed al-Fayed, an Egyptian businessman.

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GENERAL NEWS

The Philippine government is taking steps to control dissent in the military.

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AN AMERICAN

arrested in Washington last night by the FBI in connection with the assassination of President John F. Kennedy.

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CONGRESSIONAL

Democrats in the House are expected to vote on a bill to control the use of nuclear weapons.

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BUSINESS/FINANCE

Production rose 0.6 percent at U.S. factories, mines and utilities last month.

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CHINA'S NEW YEAR

Celebrations in Beijing are expected to be held in a more subdued atmosphere.

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THE SWITZERLAND

operator of the Swissair flight that crashed in the English Channel last week is expected to be charged with manslaughter.

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Deaths Surpass 100 As Ethnic Rioting Spreads in Karachi

By Kamran Khan
Washington Post Service

KARACHI, Pakistan — At least 61 more persons were killed Monday in clashes between the Pakistani and Mohajir communities, bringing the death toll in two days of rioting to more than 100, according to government and hospital officials.

Pakistan Army troops spread out across Karachi to restore order. President Mohammed Zia ul-Haq said the army would be used to suppress the rioting if it continued.

The rioting broke out in the eastern part of Karachi, a city of 10 million, where a large number of Mohajirs, Urdu-speaking immigrants known as Muhajirs, live.

Through the day, fires raged unchecked and gunfire was frequent. By nightfall, seven more sections of Karachi were placed under a tight curfew but there were still scattered areas of confrontation. The army had orders to shoot those who violated the curfew.

The operator of Karachi's main ambulance service, Abdul Sattar Khan, said Monday night that his units had carried 111 victims of Monday's rioting to three major government hospitals. The number of injured was still rising.

Government and hospital officials placed Sunday's toll at 40, bringing the two-day casualty figure to 151.

Monday's violence was dominated by the Muhajirs, who attacked Pathans and Pakistanis in retaliation for Sunday's attacks by the Pathans.

Rioters set fire to scores of houses, factories, banks and vehicles.

A darkness fall, most streets of the city were littered with bricks, burning tires and the bodies of injured houses and shops. At least three relief camps were established to provide food and shelter to the homeless.

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An Iranian woman wears pictures of Ayatollah Ruhollah Khomeini, right, and an unidentified religious leader on her head during a demonstration in Tehran marking the 10th anniversary of the Islamic revolution.

CIA is Said to Provide Satellite Data to Iraq

By Bob Woodward
Washington Post Service

WASHINGTON — The Central Intelligence Agency has been secretly supplying Iraq with detailed intelligence, including data from sensitive U.S. satellite reconnaissance photography, on its bombing raids on Iranian oil terminals and power plants, according to a source familiar with the information.

This information has been flowing to Iraq for nearly two years, the source said. During the same period, the Reagan administration was secretly selling arms to Iraq.

In August, the CIA stepped up the intelligence flow to Iraq by establishing a direct, secret Washington-Baghdad link to provide the Iraqis with better and more timely satellite information.

One source with first-hand knowledge said the Iraqis receive the intelligence from satellite photos "several hours" after a bombing raid in order to assess damage and plan the next attack. This source called the intelligence information vital to Iraq's conduct of the war.

The CIA director, William J. Casey, met in October and November with senior Iraqi officials to ensure that the new channel was functioning and to encourage more attacks on Iranian economic installations, the source said.

Iraq has mounted a series of precision air attacks against Iran in recent months, concentrating on oil terminals, oil pumping stations and power plants. The attacks are intended to destroy Iran's economy and its ability to continue the war, which entered its seventh year this fall.

The revelation that the United States has shared intelligence with the Iraqis while shipping arms to the Iraqis raises new questions about the Reagan administration's policy on the Gulf war.

A well-placed U.S. government official called this policy "a cynical attempt to engineer a stalemate in the war."

An administration official said Sunday that any intelligence assistance to Iraq was for defensive purposes, to keep either side from winning or losing the war.

A White House spokesman, Daniel Howard, declined Sunday to comment on the report.

On Nov. 13, President Ronald Reagan said that one of the goals of his Iranian initiative was "to bring an honorable end" to the war.

The Miami Herald said Sunday that Mr. Casey met with Colonel North, a 41-year-old U.S. Marine, who was dismissed from his job on the National Security Council on Nov. 25, assisted in his group's \$100-million-dollar public campaign on behalf of the rebels, known as Contras.

According to sources familiar with the campaign, Colonel North provided information to Mr. Casey, a 41-year-old U.S. Marine, who was dismissed from his job on the National Security Council on Nov. 25, assisted in his group's \$100-million-dollar public campaign on behalf of the rebels, known as Contras.

North Linked to Political Campaigns Against Enemies of Contra Funding

By R.W. Apple Jr.
New York Times Service

WASHINGTON — Lieutenant Colonel Oliver L. North, an official of the National Security Council, has helped a conservative political action committee mount a campaign this year that was designed to defeat congressional opponents of military aid to the Nicaraguan rebels, persons familiar with the effort said Sunday.

Law-enforcement officials reported, meanwhile, that the Federal Bureau of Investigation planned to look into allegations that some congressional aides to the House of Representatives had been diverted to rightist groups, including the one with which Colonel North cooperated, the little-known National Endowment for the Preservation of Liberty.

The allegations were first made Sunday in a Massachusetts newspaper. The Lowell Sun, which said White House officials, including Colonel North, knew about such a scheme, is a report by its Washington correspondent, Tom Southerland, the paper said about \$5 million from Iran arms sales had been diverted to the group.

Efforts by The New York Times to confirm the report were unsuccessful. The Times reported on Aug. 7, 1985, that an official of the National Security Council had been deeply involved in helping plan strategy for the Nicaraguan rebels.

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White House Says Regan Can Testify on Iran Deal

By Martin Tolchin
New York Times Service

WASHINGTON — The Senate intelligence committee plans to question Donald T. Regan, the president's chief of staff, and the White House has decided to let him testify, according to White House and congressional sources.

By not invoking executive privilege, the White House would avoid a potential confrontation with Congress.

The intelligence committee has told cabinet-level members of the National Security Council that they may be called to testify this week, according to sources.

A White House official said that despite concern about a precedent, "there is no chance whatsoever" that President Ronald Reagan will invoke executive privilege and prevent Mr. Regan from testifying.

Senator David F. Durenberger, Republican of Minnesota, the committee chairman, and Patrick J. Leahy, Democrat of Vermont, the vice chairman, have agreed to call Mr. Regan, Secretary of State George P. Shultz and William J. Casey, the head of the Central Intelligence Agency, the congressional sources said. Mr. Casey's appearance, before he became ill Monday, had been scheduled for Tuesday.

The committee was expected to decide soon whether to call Defense Secretary Casper W. Weinberger and Attorney General Edwin Meese III.

A closed session Monday evening, the committee was to discuss the issue of granting immunity to witnesses who invoked their constitutional rights against self-incrimination. However, it was considered.

See REGAN, Page 2



The wreckage of the car of Alain Peyrefitte, a former justice minister of France, after a bomb went off Monday in Paris and killed the municipal employee starting the car.

Hanoi Opens Congress on Critical Note

By Keith B. Richburg
Washington Post Service

BANGKOK — The Vietnamese Communist Party opened its sixth congress Monday in Hanoi with a critical note on the country's economic situation and an aging leadership that has publicly conceded its inability to solve the country's problems.

Despite widespread recognition in Vietnam about what needs to be done, analysts here questioned whether a consensus existed among Politburo ideologues, the military and intransigent low-level bureaucrats on how to pursue political and economic reforms.

The congress began after a year-long campaign of self-criticism, during which the normally secretive party leaders publicly chastised themselves and lower-level officials for corruption, inefficiency and losing touch with the masses.

In his keynote speech Monday, the 79-year-old party leader, Truong Chinh, called for the self-criticism by telling the 1,129 assembly delegates:

"Responsibility for these shortcomings and mistakes rests first of all with the party Central Committee, the Politburo, the Secretariat and the Council of Ministers. The party Central Committee would like to seriously criticize itself for its own shortcomings before the congress."

Vo Van Kiet, chairman of the state planning commission, and a Politburo member, delivered a report that said "the economic situation in our country is still rife with difficulties such as unemployment, waste of materials, shortages of raw materials and serious economic phenomena."

The speeches were broadcast live on Vietnam's state radio station and monitored in Bangkok by analysts and Western news agencies.

The focus of the criticism has been the economy, widely recognized to be a near disaster in a generally well-off region. Inflation is rampant and Vietnam relies on about a billion dollars a year in Soviet aid, which Mr. Chinh admitted has been wasted.

As an indication of how bad things are, diplomats here said, Hanoi last month devalued the dong by more than 500 percent, from 16 per U.S. dollar to about 80 per U.S. dollar. The black market rate is still about 400 per U.S. dollar, according to a diplomat who recently returned from Vietnam.

The remarks by Mr. Chinh, Mr. Kiet and other officials cited lofty goals for eliminating "bureaucratic centralism," reducing subsidies and increasing grain production to 22 million metric tons (24 short tons) by 1990. But the speeches are short on specifics, without a national plan for the year 1990, a doctor diagnosing a sick patient without prescribing the remedy.

Speakers expect changes in leadership positions and economic policies to be announced before the congress ends Thursday. But they predicted that the changes were not likely to be as sweeping as suggested.

See HANOI, Page 2

57 Senators, In Letter, Back SALT

The Associated Press

WASHINGTON — More than half the members of the U.S. Senate urged President Ronald Reagan to back the SALT-2 arms-control agreement, which the United States breached last month.

The letter, signed by 57 of the 100 senators, said the U.S. action was an "open invitation to the Soviets to violate even the minimal limits in the accord."

The letter, signed by 47 Democrats and 10 Republicans, was originated by Senator Dale Bumpers, Democrat of Arkansas, and was the latest expression of congressional discord with the decision to exceed limits of the second strategic arms limitation treaty.

Last week, Democrats in the House of Representatives approved a resolution criticizing Mr. Reagan's action and pledged to try to get the Democratic-controlled chamber to reverse the decision when Congress convenes Jan. 6.

Mr. Bumpers said that similar legislation probably would be introduced in the House if Mr. Reagan did not change his mind.

The treaty was breached Nov. 23 when an American B-52 bomber equipped to carry nuclear missiles became operational.

This put the United States above the numerical limits of the unratified 1979 treaty. By restoring some weapons, the United States could return to within its limits.

Because the treaty was never ratified by the Senate, it has never been binding on the United States, but both superpowers agreed to abide by its terms. The treaty covers a wide range of strategic weapons issues, including limits on bombers, submarine-launched missiles and land-based missiles.

During the 1980 presidential campaign, Mr. Reagan criticized the pact as being "fatally flawed."

But once in office, he pledged to respect its limits as long as the Soviet Union did.

In announcing in May that his administration would no longer be bound by the treaty, Mr. Reagan repeated assertions that the Kremlin repeatedly violated the pact.

The Soviet Union pledged recently to respect the accord despite the U.S. decision.

Ex-Minister Escapes Blast in France

By Michael Dobbs
Washington Post Service

PARIS — A former justice minister, Alain Peyrefitte, escaped assassination Monday when a bomb went off in his car and killed a mechanic who was trying to start it.

The attack occurred outside Mr. Peyrefitte's home in France, 50 miles (80 kilometers) east of Paris, where Mr. Peyrefitte is away from Paris on Sunday evening in an old Peugeot "to see how it was running."

Mr. Peyrefitte said the interior minister, Charles Pasqua, rushed to Paris on Sunday morning after news of the attack. Mr. Peyrefitte, 61, is a supporter of the conservative government headed by Prime Minister Jacques Chirac and is a weekly columnist in the rightist Paris newspaper Le Figaro.

Mr. Pasqua said Monday night that the government would announce new measures on terrorism in the next few weeks.

Asked in a television interview on Sunday, Page 2.

Yen's Rise Won't Slash Japan Surplus, OECD Warns

By Carl Gewirtz
Washington Post Service

PARIS — The 40-percent appreciation of the yen during 1986 will do little to reduce Japan's international surplus this year, and in the future, but is causing an economic slowdown, the Organization for Economic Cooperation and Development warned Monday.

Reducing the surpluses and speeding up growth are targets that have been set by Japan's trade partners in North America and Western Europe. Failure to achieve them could have serious implications for preserving the free multilateral trading system and assuring the smooth functioning of the world economy.

Japan's bloated trade surplus is viewed abroad as depriving other countries of growth and jobs, and it is a major element fueling the dollar's rise.

Slower growth in Japan, the industrialized world's second-largest economy, could lift the world into renewed recession if the United States, the No. 1 power, pursues measures to correct its own imbalance: huge deficits in trade and the federal budget.

The OECD, in its annual survey of the world, forecast that the country's trade surplus would hit a record \$86 billion this year, a 23-percent increase over last year's surplus, despite the yen's sharp appreciation.

The current-account surplus, the widest measure of trade in goods as well as services, is expected to hit a record \$82 billion this year and to still be around \$70 billion by mid-1987.

Based on current exchange rates and the expected growth of demand, the OECD said that it was "unclear" whether "a further steady reduction can be achieved in subsequent years."

Japan's current-account surplus will be sustained, even as the trade figures decline, by substantial gains in investment income from the huge sums that the Japanese are investing abroad.

Japan is already the world's leading creditor. Net external assets, which amounted to nearly \$130 billion in 1982, totaled about \$130 billion at the end of 1985 and are expected to hit \$200 billion by the end of this year.

By the end of 1987, the OECD said, Japan's net external assets "may amount to close to \$300 billion."

The thesis of the OECD report is that the appreciation of the yen in the foreign exchange market has a relatively limited impact on Japan's trade surplus, the largest single component in the current account.

According to economic textbooks, an increase in the value of the yen should lead to a decline in exports and a rise in imports. And this is happening in Japan.

The yen has appreciated about 40 percent this year. And in terms of volume, exports have already started falling while imports have risen quite sharply.

But in dollar terms, the volume changes are overwhelmed by the huge shift in what economists call the terms of trade.

Simply put, the cost of imports is falling faster and faster than the drop in export earnings, leaving the Japanese trade surplus largely intact.

Import prices in 1986 and 1987 are expected to fall by a cumulative 44 percent, the OECD notes, while export prices are expected to decline only 17 percent.

That, the organization explained, is because most of the benefit of the lower import prices has been passed on to foreign citizens.

See TRADE, Page 17

U.S. Captive In Nicaragua Aided Indian Rebel Cause

United Press International
NEW YORK — Sam Hall, an American who Nicaragua has reported arrested on suspicion of spying, is a former Olympic medalist and an ardent anti-Communist who took up the cause of the United States in fighting the government of Nicaragua.

Mr. Hall, 49, has described himself in interviews as a self-employed military adviser and counter-terrorist, teaching "commando" tactics to the military.

In a radio interview last month in St. Petersburg, Florida, he said he was an "anti-Communist terrorist," said John Eastman, a talk show host. "He refused to be classified as a mercenary," Mr. Eastman added.

Mr. Hall claimed to have received money from the Pentagon for his activities, but did not elaborate, Mr. Eastman said.

Mr. Hall served as a Democrat in the Ohio House of Representatives in 1964 and 1965. He said he quit politics because "it was too phony."

Mr. Hall is the brother of a U.S. Congressman, Tony P. Hall, Democrat of Ohio, and the son of a former Supreme Court Justice, David Hall. He won the silver medal in tennis at the 1960 Olympic Games in Rome.

He said in the radio interview last month that if he were ever killed in a foreign country, the United States would have to discover his activities.

Nicaraguan officials said on Sunday that Mr. Hall was arrested Friday in a residential area of the Punta Prata Air Base. They said he was carrying maps of Nicaraguan military sites in his shoe.

A Foreign Ministry spokesman, Angel Schell, said that Mr. Hall had said he was working for an organization that "specialized in intelligence and espionage on military objectives," and that he was working for "U.S. government interests."

Nicaraguan officials said he identified the group as the Phoenix Battalion.

An acquaintance said Mr. Hall had formed a group by that name. A spokesman for the U.S. Embassy in Managua said Monday that the embassy had been informed of the arrest but had no details.



Sam Hall, in a 1985 photo.

formed of the arrest but had no details.

"We have asked for access to him," said Al Lamm, the public affairs officer at the embassy. "So far it has not been granted. We have no independent information on him."

In Decatur, Alabama, the leader of Civilian Material Assistance, a paramilitary organization Mr. Hall once joined, compared him to "Rambo," the ultra-patriotic movie character.

"He dressed like it, he wears a headband and everything," said Thomas V. Poley, director of the group, which was formed to aid the contra, or Nicaraguan rebels supported by the United States, with commodity supplies.

Mr. Poley said that Mr. Hall was the self-described leader of the Phoenix Battalion, which Mr. Hall proposed 18 months ago to the Central Intelligence Agency and the Defense Department as a way to help the contra.

"As far as I know, he's the only member of it," Mr. Poley said. "He was trying to get a movie made of him and he is working on a book and he was trying to put in local newspapers. It was a one-man battalion for his book."

[In a 1985 interview with The Associated Press, Mr. Hall said he had become a born-again Christian and a Republican who strongly supported President Ronald Reagan's policies. But he said he wanted to do nothing that would hurt his brother's political career.]

He displayed a record in his aide that he said was connected with the activities of Civilian Material Assistance, but would provide no details. He also said he cut short himself in the leg in 1974 while addicted to drugs.

A U.S. official in Washington said that it was unlikely Mr. Hall could have arrived at Punta Prata Air Base by accident.

The United States has charged that runways at the isolated base are being lengthened to accommodate U.S. military aircraft.

Mr. Hall's brother, who voted in Congress earlier this year against continuing aid to the contra, said Sunday that he was "surprised and concerned" over reports of his brother's arrest.

A statement from the Interior Ministry in Managua, released by the Nicaraguan Embassy in Washington, said that a passport confiscated from the suspect contained visas for travel to Israel, South Africa and El Salvador.

Centrist U.S. Democrats Project Mood of Confidence

By Robin Toner
New York Times Service
WILLIAMSBURG, Virginia — The mood of the Democratic Leadership Council, a group of centrist Democrats who have held a two-day conference here, was ebullient from the start.

Many of its members came down from Washington on a special Amtrak train, fueled by wine and hors d'oeuvre and considerable speculation on the 1988 presidential campaign. As they rolled through the night, away from a capital dominated by a Republican controversy, they voiced the confidence found in movements whose time has come.

They were cheered not just by the conviction that the Democrats are resurgent but also by the belief that their wing of the party would set the tone for this new Democratic ascendancy.

"What we've tried to do is change the center of gravity in the party," said Alvin From, executive director of the council, which was founded in 1985 by elected officials, mostly from the South and the West. "I think this conference is proof that it happened."

In one case of the train was Senator Sam Nunn of Georgia, a founder of the council and the next chairman of the Armed Services Committee, who was trailed by reporters pressing him on his presidential ambitions. He is not leaning toward it, he said, but intends to give it "serious thought."

A few cars down was Governor Bob Graham of Florida, still accepting congratulations on his recent Senate victory, and former Governor Charles S. Robb of Virginia, chairman of the council and another presidential possibility. There were numerous members of Congress aboard, including Representative Stephen L. Neal of North



Senator Sam Nunn

Carolina, who contended that the council had "come to stand for something fairly clear to the public."

Mr. Neal added: "This group represents the mainstream of American thinking — sensible, pragmatic and moderate."

All in all, members of the council asserted, the group has come a long way from its formation, when some Democrats considered it a short-lived regional reaction to the party's landslide presidential defeat in 1984. Its founders, such as Mr. Nunn, have grown in prominence since the council's inception, and many other Democrats were eager to get on board when the train left Union Station in Washington.

Mr. From outlined the speakers' lineup for the conference and then characterized it.

"That's not a white male caucus," he said, using one of the descriptions of the council favored by its critics.

One of the most closely watched parts of this conference was a discussion of social welfare policy by two black leaders: former Representative Barbara Jordan of Texas and Michael Lomax, chairman of the Fulton County Commission in Georgia.

In an interview, Mr. Lomax said he became involved in the council because he viewed its "moderate approach" as a winning formula for the 1988 presidential election.

"It doesn't do any good to be knocking on the door from the outside," he said. "The Jesse Jackson factor." And she received a thunderous applause after she rhetorically asked Mr. Jackson: "Why don't you join us? Don't frighten everybody off. Don't be so volatile that people become afraid to associate with us."

Mrs. Jordan did not support Mr. Jackson in 1984, and Mr. Lomax backed Senator Gary Hart in the primaries, although he voted for Mr. Jackson at the convention.

The conference was issue-oriented, with panel discussions on matters from conventional military forces to international competitiveness. But throughout, there were

ripples of rumor about the Reagan administration's Iranian arms deals as well as constant talk of the 1988 presidential election.

Four founders of the council are now considered presidential possibilities, and each was given a chance to shine. Mr. Robb gave the keynote address and Mr. Nunn spoke on military policy. Governor Bruce Babbitt of Arizona spoke on trade and Representative Richard A. Gephardt of Missouri gave the closing address.

As theoretical as the discussions sometimes became, all that presidential ambition in one room kept matters down to Earth. For example, Hamilton Jordan described a need for a Democratic nominee who could play well in the South. Mr. Babbitt suggested that what was important was not geography, but philosophy.

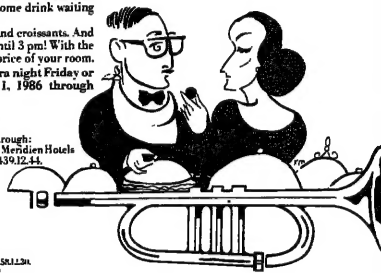
If the philosophy were compatible, he suggested, a candidate could carry the South even if he came from Maine. Or Arizona.

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Britain Appoints UN Envoy

LONDON — Britain named Sir Cyprian Killick on Monday as its new permanent representative to the United Nations. He is to succeed Sir John Thomas, who is retiring. Sir Cyprian has been the overseas secretary of state at the Overseas Development Administration since 1984.

A statement from the Interior Ministry in Managua, released by the Nicaraguan Embassy in Washington, said that a passport confiscated from the suspect contained visas for travel to Israel, South Africa and El Salvador.

Voyager Alters Path to Avoid Storm; Damage to Wing Was Not Serious

The Associated Press
MOHAVE, California — The stunt by two American pilots to fly around the world without stopping or refueling progressed on schedule Monday.

But bad weather on their flight path posed navigational problems, causing them to alter the course of their plane, Voyager.

The spindly craft lost at least 2 feet (60 centimeters) off its 111-foot wingspan when its wings sagged and scraped the runway during takeoff Sunday, a flight spokesman, Peter Riva, said Monday.

However, the damage apparently was not serious. By Monday morning the Voyager had reached Hawaii, 2,850 miles (4,610 kilometers) across the Pacific from Edwards Air Force Base in California, where it took off.

The crew, Dick Rutan, 48, and Jeana Yeager, 34, are trying to become the first aviators to circle the Earth on one load of fuel. It is a journey of 27,000 miles that they expect will take 10 to 12 days.

Dr. George Jaffe, the flight surgeon, said Monday that the pilots appeared to be doing well in their cramped quarters.

The flight's meteorological director, Len Snellman, said satellite pictures showed a considerable increase in bad weather ahead of Voyager.

"However, it's significantly scattered and we expect to be able to thread Voyager through the more relatively inactive areas by having it fly north of a tropical storm that's currently 180 miles southeast of Guam," Mr. Snellman said.

The plane was flying below 7,000 feet in a strong trade wind belt with winds of 25 knots (28 miles per hour) and was expected to pick up increasing tail winds, he said.

The original route dipped well into the Southern Hemisphere, crossing through the northern half of Australia. However, bad weather forced the planners to pick a more northerly route, closer to the Equator.

The mission operations director, Larry Cackey, said the plane was maintaining an average groundspeed of 107 knots during its first day in flight "and higher speeds are now being realized with a more favorable wind."

Voyager was joined over Hawaii by a chase plane whose pilots vainly inspected the craft and reported that it was functioning well despite the takeoff damage.

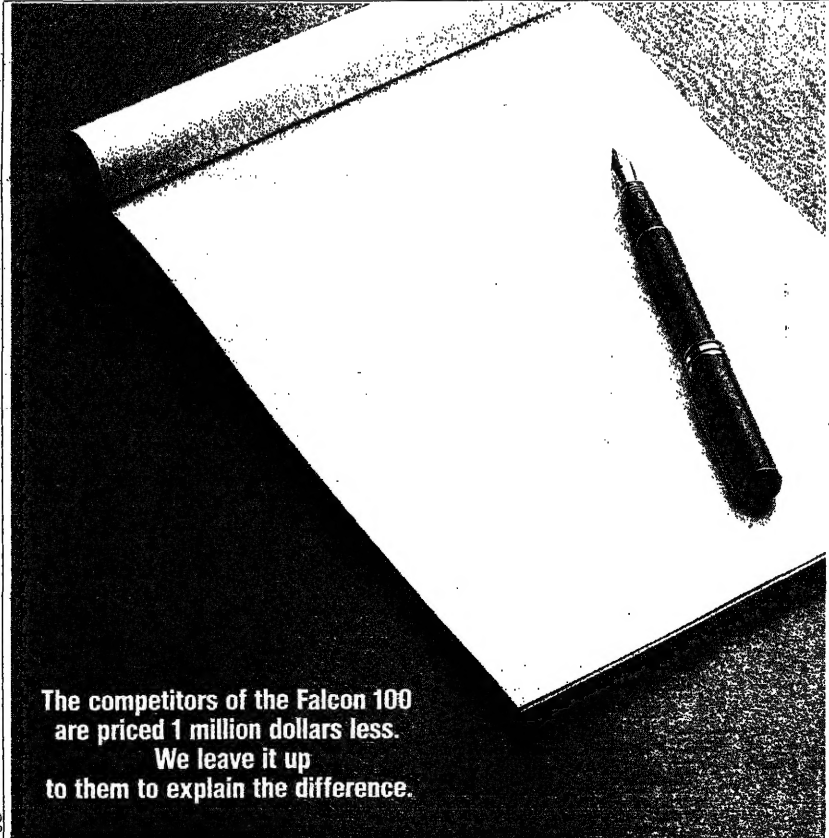
After passing Hawaii, Mr. Rutan said on a television interview show by radio that the experimental craft "is in real good condition."



TRINIDAD AND TOBAGO CAMPAIGN — Members of the governing People's National Movement in Trinidad and Tobago held their final rally before Monday's general election. The party of Prime Minister George Chambers has been in power since 1956 and faces its first serious challenge, from a four-party group.

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Business takes off with Falcon.

Another Eminent Victim Of Botha's Rule by Force

[illegible]

FROM Hanoi to Havana, from Moscow to Santiago, the portacalls has fallen to still the cries of those oppressed by racialist regimes. In Africa the storm of democratic freedomism has gnawed away like rust at the idealism upon which the independent black states were founded; and last week the white government of South Africa joined in, imposing new and rigorous controls on freedom of the press.

They will prevent journalists from reporting not only acts of violence but also peaceful protests. [And] they seek to destroy extra-parliamentary groups, like the Black Sash and the United Democratic Front, that have provided one of the main channels through which newness of South Africa has been disseminated.

—From *The Observer* (London).

New York Times article.

MAYAGUEZ—Reacting to a *TIME* magazine article, which was widely noted, divisions within the armed forces, which are being exposed by the press, according to Defense Minister Rafael M. Nieto.

In an interview Friday, Mr. Nieto said that the armed forces of El Salvador, the chief of staff, who was being soiling by dissident groups under the leadership of General Carlos Prats from the political posture it has taken.

"We have 10 or 15 years with Marcos, having the power to rule this country under martial law. Maybe the military got used to dictating to the government," he said. "We are no longer in that game. We are back to democracy, and I think we are going to win."

He said the task of de-politicizing the military was complicated by the fact that the army on a hand last month with a group of officers loyal to his predecessor, Juan Jose Rios Montt, who was in power at the time of the armed attack.

"Even in Marcos's time there were divisions in the armed forces," he said. "The military was not united. It was the distortion of the military by the former president, Ferdinand Marcos, who was a dictator."

"I said then that those cracks would come wide open in a crisis," he said.

The task now, he said, is to persuade officers that "hanging around and talking about politics is not our business."

"Our business is to see that when we are attacked, we are able to defend our country as we prepared," he said.

Mr. Nieto said the military must work to improve its attitude toward the civilian population and to end the new close-fire with the Communist rebels.

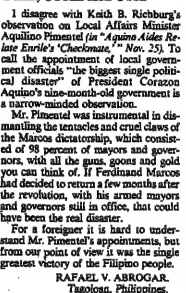
Some people, even in the high-ranking ranks, think that just because they are given a rifle they can try anybody to do what they want, he said.

"That's the wrong attitude," he said.

Three days after it took effect, the 60-day cease-fire was the center of a debate over the night of the 14th, when the army sent to population centers.

Mr. Nieto said both sides would be asked to observe the cease-fire and refrain and to follow the propaganda activities.

Speaking of the armed forces, he said that the military was not going to require special to the people.



We watched Somoza do it. We watched Duvalier do it. We watched Marcos and others do it. As I follow South Africa in my daily newspaper, the question is: What is the world, especially the West (and notably Switzerland), do-

President Corazon C. Aquino and Vice President Salvador H. Laurel at a meeting at which a proposed visit to the Philippines by Ferdinand E. Marcos was rejected.

Washington Post Service

MILITARY—Military officials accused Communist rebels of attacking a government patrol shortly after dawn Monday in the town of the central island of Panay.

President Corason C. Aquino said the rebels' attack was an attempt to monitor the cease-fire to investigate the incident, which he said was "not reported" in the 60-day truce that began last week.

His administration does not appear to have jeopardized the truce, but it has "depended drastically" already existing between

the armed forces and the Communist group, the People's Army.

Military officials have accused the rebels of violating the spirit of the cease-fire by attacking firearms in towns and villages.

The national cease-fire monitoring committee is to meet Tuesday to discuss the incident in an attempt to mediate the dispute over whether the guerrillas will be allowed to carry weapons in towns and villages.

In another development Monday, the rebels agreed to return from President Ferdinand E. Marcos if he attempted to return to the Philippines for the funeral of his youngest sister.

The announcement was made following an emergency cabinet meeting to discuss reports that the rebels were planning to return to the country.

The emergency cabinet session was held in the afternoon. Marcos sent a handwritten taped holiday message to his followers.

The tape, played on a local radio station, said Marcos said he hoped to return to Manila and the Philippines by Christmas.

But the Communist rebels' officials appeared to play down Monday's reported violation of the cease-fire.

PHILIPPINES

ANYONE knows that the military is really that close to the people," said a Manila-based Communist spokesman as he urged us time to improve our image in the eyes of the public and make the military part of the nation's life and be a part of the masses as much as possible.

To this end, he said, soldiers should be "multi-works" people, taking to like building schoolhouses, giving doctors and helping their neighbors.

"The cease-fire, he said, is an important issue in reeducation of the soldiers, their attitude toward service, and their relationship with the people."

"The NPA does this," he said, referring to the Communist New People's Army.

"In the last 10 years, a force of more than 100,000 men," he said, "has been recruited by the army. I think I acknowledge that any country of the world is opposed to the cease-fire."

"I explain to them to ride along with this and take a good look at the military. I tell them it will be a problem. You can use the drastic

ge. So instead of just saying 'We do this way,' which we have always done, we have to say, 'If we succeed, really, we can try another approach and see how it goes.'"

He said for propaganda purposes, the Communists, who are making the rounds of television talk shows and having cocktails with newspaper editors, should not talk about this kind of talk and let them expose themselves. They have to admit they are the Communists, and Filipinos are the Communists.

In moving the military back into a unified, disciplined and nonpolitical force, he said, the government and General Ramos were using a policy of a gradual tightening of control.

"Maybe you see a small group of soldiers who are not following the rule," he said. "I assure you that slowly we are getting back to professionalism of the men who had threatened armed action, so the military can be a part of the people. You can use the drastic

way, and then you can say a note of warning."

"Maybe he is moving slowly, but you can see the lightning now slowly lightning the grip, and then the way of the lightning is the military," he said. "If you do too abruptly you are not looking for trouble."

He said the chairman indicated that his program to move the military out of politics also suited his program.

He said he felt uncomfortable about the political forces that were the haunt of his predecessor.

"I am not a politician," he said.

"To face the public, attending to their questions, people trying to get the military out of politics, trying to turn them to them."

"Why should I debate with Senator Ramos?" he said, referring to the leading Communist spokesman.

"That's their line. They're spokesmen. They like to get you there. They like to get you there. They will gain out of it."

OS ANGELES After every election, naysayers emerge, warning that the public-initiative process poses dangers to the traditional form of government. This is a misperception. California initiatives add to policy making. Reasoned analysis has scores of problems, so what is the harm in trying it like traditional?

By Neal Richman

United States. California propositions

MEANWHILE

have caught on across the nation almost as fast as the wind.

The trend has only one failing: Americans have never tried applying the initiative process to the most pressing international problems.

As a first step toward bringing foreign policy into the initiative process, PROPOSITION XXX is hereby proposed: "The government shall be prohibited hereafter from sending American troops to assist any majority of adult Americans can identify said nation on a map."

It is a simple proposition. It was born about a year ago, when the Gallup organization reported on a survey of the opinions of Americans on geography. The findings were conclusive: Americans are geographically illiterate.

not distinguish between Iran and Iraq on a map unless they had personally supervised arms shipments there.

Admit it. The United States is invading Grenada, so you wondered what the Spanish government had done wrong.

Or the case of Maryland study of students preparing to be teachers confirmed the depth of the problem. Of 100 prospective elementary school teachers, 71 percent could not locate France on a map; of the prospective high school teachers, 60 percent could not find Viet Nam.

The logic behind Proposition XXX is simple: If Americans are going to blast a country to kingdom come, Americans should at least know where it is. As a first step, Americans should know where U.S. territory if Americans cannot locate it. This initiative if promulgated to bring education to the people.

But the practical importance of Proposition XXX cannot be overemphasized. When Americans are given alternatives are being conducted by the private initiative of Americans like Eugene McCarthy, Americans are going to learn a great deal about their own geographical literacy. A slight misnomer of the map, and Mr. Haussman will be a laughing stock.

Sean Connery and Roger Moore each gave up playing James Bond after making six movies. Should not Ronald Reagan also gracefully relinquish his big role after six years?

Most ancient Greek dramatists did not dare use as material the well-known news of the day, or even recent history, as Loren Jenkins intimates in "Film Responses Italy's Wounds About Moro's Ordeal and Death" (*WQ*, 26).

It is true that the Greeks have drawn a parallel between ancient Greek drama and the Italian reaction to the Moro film by pointing out that the one ancient Greek dramatist whose play did deal with a recent historical event was Euripides' *Phrygians*. "Capture of Milesus" was about the Persian takeover of the Greek city of Milesus in Asia Minor. The play was performed only a few years after the loss of the city in 494 B.C. The play was so popular that it was performed year after year until the play's performance was fined. After this, tragedians stuck to rewriting myth, and the ancient history of Homer.

In this way the bad feelings created by the Moro film are indeed nothing new in

PETER McCABE
Paris.

Dennis Conner, skipper of *Sears & Stripes*, with his customary good sportsmanship, suggests to the press that New Zealand built its boat in fiberglass, rather than in aluminum, in order to cheat. The boat was built in Australia, says Blackaller, skipper of *USA*, said that his engineers told him that a faster boat could not be built in fiberglass. (*America's Cup* report, Dec. 9.)

Apart from the gratuitous insult to these prestigious international racing associations, the move to the measurement of the International Yacht Racing Union, it would seem that fiberglass was quicker and cheaper (two boats for the price of one). That would be sufficient justification for small boats which was short on time and money.

Did the engineers also say the last time that the Australians could not build a faster boat? As a fellow American, I wish Mr. Conner, for one, would just shut up and take his beating.

RICHARD H. MOORE

William Safire (*Language*, Nov. 10) says that the word *cohabitation* has "never made it in the Occident." But cohabitation is the French legal term for the union of a man and a woman. "Cohabitation" is a state of living together out of wedlock.

Perhaps the U.S. Census Bureau will not so far from the mark with cohabitation as clearly a relative of the French *cohabitation*. But then one would be terribly disappointed to find that the word has not found state of "cohabitation" with the Democrats in the Senate and in the House somewhere.

NICOLAS P. CARON.
London.

Other mean "second" before the Norman conquest. So when psychics talk of "significant others," the word is significant, but not the others.

Cohabitee never made it in the Occident! France is a Western country.

GAULIERE HENRY.
Hyères, France.

For a suitable term for a person one lives with, we suggest a direct translation of the word commonly used in Sweden, *livspartner* (literally, "living-together"). In English: *cohab*.

JANE LOETTLER
ANDERS WESTERHOLM

"Christmas!"



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Heaven on Wheels

This 20th-century angel was spotted — but only briefly — on a Zurich street on Monday, perhaps en route to carry out some important pre-Christmas duty at, presumably, a much loftier destination.

Norway's Leader Expected to Survive Budget Test

By Francis X. Clines

OSLO — The fragile new government of Prime Minister Gro Harlem Brundtland is expected to weather its toughest legislative test Tuesday with the economy still debilitated by Norway's plummeting fortunes as an oil exporter.

For Mrs. Brundtland, a 47-year-old physician turned politician, the narrow approval being predicted for a stringent austerity budget for 1987 would amount to considerable success under some of the most difficult political circumstances in a Western democracy.

Norway finds itself overdependent on oil revenues and well into an economic spiral with some of its political parties holding a working majority in the legislature and no new election possible until 1989.

The resultant haggling, coaxing and finessing in the legislature has been intense.

Whatever impression the outside world has about Norway as a winter-glazed social welfare utopia, the new prime minister has had to scramble to find enough cuts, revenues and votes to avoid political crisis.

Fast and strong executive action

'Considering the problem, I don't think we need to be ashamed of ourselves.'

— Gro Brundtland, prime minister



Current Press

is needed to reshape the economy away from both oil dependency and consumer overreliance prompted in the recent, now-lamented boom years when Norway opted to exploit its offshore resources.

"We see that oil can be destructive if we are not able to keep a moderate line that is helpful for economic and social develop-

ment," Mrs. Brundtland said. She was referring to the nation's quick spending of oil revenues that poured in for the first half of the decade.

She is vowing to come out of the turmoil — providing she survives future critical votes — with Norway enjoying a more varied economy and with oil revenues far less of a government crutch.

A clear majority for her Labor Party would not hurt her program, either, and the latest polls show her retaining support for Labor now that the public is accepting the general austerity mood. But elections are more than two years away.

The dangers for her in having to survive in the meantime were well illustrated last May when the Conservative Party's ruling coalition fell apart. Prime Minister Kaare Willoch stepped down after only a few legislators retreated from his attempt at austerity measures.

His multiparty coalition had 78 votes and Mrs. Brundtland's has 77, with 79 needed to pass a measure in the parliament. The two remaining seats are held by the unpredictable, rightist Progress Party.

Some politicians say they believe the opposition may be content to accept the precarious status quo, since no new coalition of the nation's half-dozen parties would be any easier to put together and there seems little political advantage in taking the lead in cutting budgets.

Mrs. Brundtland said, with satisfaction, "Considering the problem, I don't think we need to be ashamed of ourselves."

The prime minister has been

kept busy attempting to work out a compromise that is expected to see her minority coalition attract enough votes on Tuesday to pass a \$32.7 billion budget in relative balance. The budget veered from a surplus of \$4.9 billion this year, a turnaround attributed equally to lost oil revenues and the overvalued Norwegian economy.

And Mrs. Brundtland has been winning support to keep her government in control even as she works at planning additional austerity measures.

She took over the government as world oil prices underpinning the economy were falling precipitously, dropping to \$10 a barrel from \$30 in a matter of months.

In a chain reaction, Norway's budget quickly tumbled into deficit after years of growth fed directly by oil revenues. To the point where they had been financing 25 percent of the national budget.

Far from her last campaign promises of optimism and growth, Mrs. Brundtland has had to put together a package of tax increases and spending limitations on some welfare and health programs.

In West Germany, Unions' 'Social Economy' Is Going to Ruin

By Robert J. McCartney

Business Four Service

BONN — In the 1830s, in the coal and steel center of the Ruhr basin, the pioneers of West Germany's union movement persuaded colleagues in the bricklayers' guild to use their spare time to build cheap, simple houses for poor industrial workers.

In the following decades, that experiment in cooperative economics blossomed into a policy of using union resources to provide the working class with low-cost goods and services.

Loyal to that tradition, West Germany's powerful unions built up empires of housing, insurance and banking companies after World War II. By seeking only marginal profits, these companies were able to charge lower rents, insurance premiums and interest on loans than their private counterparts.

A century later, the unions' program is headed toward ruin. Their housing company, the largest in Western Europe, announced this month that it hoped to avoid bankruptcy by gradually selling its apartment buildings to repay \$8.5 billion in debts. It has fallen victim to poor management and corruption after providing hundreds of thousands of low-income families

in the 1950s and 1960s with their first modern apartments.

The housing company is also dragging down the enterprises. On Nov. 18 the unions sold control of their bank to an insurance company to raise money to cover the housing company's losses. Next year the unions plan to sell a large part of their highly profitable insurance company, possibly on the Frankfurt stock exchange.

The collapse of the Gemeinnützige, or "social economy," has tarnished the reputation of the German Trade Union Federation, known as the DGB, and has become a major embarrassment to the opposition Social Democratic Party.

The party has longstanding ties to the unions, and the controversy this autumn over the unions' holdings has virtually ended the party's merger hopes of unseating Chancellor Helmut Kohl, a Christian Democrat in the January elections, according to politicians and commentators.

In the broader perspective, the liquidation of union companies marks the end of a dream. For four generations, the labor movement sought to build a worker-oriented economic system to challenge capitalist control of society.

"I think we are witnessing the

end of an era of social history of this country," said Heinz Markmann, director of the union federation's Institute of Economic and Social Research in Düsseldorf.

"Many of us felt a sentimental linkage to the companies, and we expected from them a moral quality above that of sheer bloody capitalism."

A housing, insurance and banking empire, built to provide the working class with low-cost goods and services, has become a victim of poor management, corruption and its own success.

magazine Der Spiegel broke the story of corrupt dealings by the Neue Heimat chief executive, Albert Vior, and other officials.

The unions dismissed Mr. Vior, nicknamed "Käse Albert" for his expensive lifestyle, but it was too late. The company was deeply in debt, and the housing market remained depressed.

The unions tried this autumn to sell most of Neue Heimat to a West Berlin businessman, but their creditor banks forced them to abort the deal. They then announced the liquidation plan, and meanwhile had sold 51 percent of Bank für Ge-

meinnwirtschaft AG for nearly \$1 billion.

"There was a failure of control," a senior union official said. "There were only union people around the table" at Neue Heimat, "and each believed the others to be of the same breed as himself, and therefore trusted them blindly."

In another sense, the companies were victims of their own success. By helping West German workers to obtain apartments, open bank accounts and buy life insurance, the companies encouraged them to adopt middle-class values and lifestyles that gradually eroded the workers' commitment to the "social economy," union officials and other analysts said.

In addition, as the unions' companies grew and became major national enterprises, private companies made greater efforts to compete with them.

"As class barriers have become less important, as the working class has been integrated into society, the need for special services has dropped," said Karl-Eduard Summich, spokesman for the unions' main holding company, Betriebsgemeinschaft für Gemeinnützige AG.

The "social economy" has been considered one of the three pillars of the German labor movement,

together with the Social Democratic Party and the unions themselves. It had its origins in the cooperative movement of the late 1800s.

As the country industrialized, unions organized cooperatives to supply basic foodstuffs and simple clothing at cut-rate prices. In the 1880s, insurance societies were formed in some cities to provide unemployment benefits.

The program grew rapidly and was organized on a national scale during the Weimar Republic in the 1920s. The first union-owned bank was founded in 1923, primarily to raise money for strike funds. Neue Heimat opened in that decade.

The Nazis outlawed independent unions and confiscated their assets shortly after coming to power in 1933. But the unions regained those assets after World War II, and used the funds and members' dues to reestablish Neue Heimat and Volks-

Genossenschaft Lebensversicherung AG, the insurance company. Six union-owned regional banks merged in 1958 to form the national Bank für Gemeinnützige AG.

Now, the advantages that remain for the unions' clients seem bound to disappear. The new majority owner of Bank für Gemeinnützige AG, for instance, is expected to eliminate the union members' discounts on fees.



Willy Brandt

Brandt Will Leave Party Post in '88

Reuter

BONN — The former West German chancellor, Willy Brandt, says he intends to step down as chairman of the opposition Social Democratic Party in 1988 to make way for a new leader.

Mr. Brandt, 72, refused to suggest a likely successor, saying that the standing of rival moderate and left-wing contenders, Johannes Rau and Oskar Lafontaine, would become clearer after national elections next month.

Bonn Is Angered By Suggestion of Pentagon Official

The Associated Press

BONN — The West German government asserted Monday that a high-ranking Pentagon official was ill-informed when he suggested that the government could improve military spending by reducing financial credits to East Germany.

The suggestion was made by Richard N. Perle, the U.S. assistant secretary of defense for international security policy, to the Neue Osnabrücker Zeitung over the weekend. He said that by cutting back on credits granted to East Germany, West Germany could increase military spending without having to sacrifice any social welfare programs.

The government spokesman, Friedrich Ost, said Monday: "We can only conclude Mr. Perle's statements are based on inadequate information about our relationship with East Germany." Although West Germany has guaranteed bank credits, he said, it has not provided direct credit to East Germany.

High-level Bonn officials described Mr. Perle's comments as "irresponsible interference" in West German affairs.

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ARTS / LEISURE

The Saving of the House of Windsor

Mohamed Al Fayed Adds
Paris Home to His Collection

International Herald Tribune

PARIS — On Dec. 10, the 50th anniversary of King Edward VIII's abdication, Mohamed Al Fayed looked on the famous abdication desk and explained why he rescued some of the Windsors' heritage from the auctioneer's block.

"Basically, I'm an artist before I'm a businessman," said the Egyptian-born billionaire who seems to specialize in prestige acquisitions. First, there was the Ritz Hotel in Paris, then the House of Fraser,

HEBE DORSEY

including Harrods, the royal silversmiths Turnbull and Asser, and now some of the contents of the mansion where the Windsors lived for many years, on the edge of the Bois de Boulogne.

"Someone like me, born in a country of deep civilization, like to live in the past," Al Fayed said. "I consider England my second home. I left an obligation to save this heritage."

The house is to become a museum to the memory of the Windsors, open only to historians and members of the British royal family. On the top floor, Al Fayed has arranged some private quarters for himself.

Right after he bought some of the contents of the Windsor mansion, "I passed the whole inventory to the police," Al Fayed said. As a result, the queen asked that an oil painting of a royal child be returned to Hampton Court where it had been part of a collection going back to Henry VIII. Al Fayed volunteered to give the British the abdication desk as well.

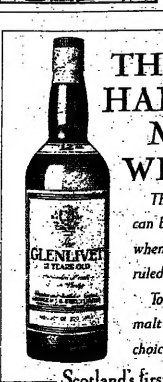
"This desk is part of history," he said. "It will probably go to some museum. It will be nice for British people to be able to look at it."

The desk, which was long kept at the Windsors' country home outside Paris, now sits in the main salon, topped by pictures of King George VI and Queen Mary in their coronation robes. A small, gilded plaque reads: "On this table, King Edward VIII signed the Abdication Instrument: 10:30 A.M., December 10th 1936."

Al Fayed negotiated a 50-year lease from the city of Paris, which owns the mansion. "I approached the mayor of Paris, who is a man of culture and who has great appreciation for what I have done for the city by restoring the Ritz."

The house where the Duke and Duchess of Windsor lived in exile is being restored by Al Fayed. "During the duke's long illness, everything fell apart, the electricity, just about everything. We feared we might be driven away by the house even before the duke died," said one of the four servants, whom Al Fayed retained. Al Fayed declined to say what he paid for the furnishings and other objects, and what he was spending on the restoration.

DOONESBURY



Al Fayed, who said he met the couple only once, for dinner at their home 20 years ago, heard of plans to sell contents of the house last July, just before they were to go on auction. Every item is still stamped with a lot number, the desk being No. 33. Looking at the simple, three-drawer desk, with tooled leather top, he said, "I was fascinated by the greatest love story in history," adding, "To think that this man gave up all this glory for the love of a woman. The idea that he reasoned everything."

Touring the house, Al Fayed picked up a black-and-white needlepoint pillow representing the Colonel Vendôme and the Ritz Hotel. "The duke made this pillow," he said. "His mother taught him. He lived at the Ritz for eight years in what is now the Windsor suite."

Picking up another pillow, embroidered with the duke's three feathers insignia, Al Fayed said: "This was embroidered by Queen Mary. All the details here are historical; we can see how he was living, how he was sleeping, how he was eating. Everything is not intact. While the house remains the atmosphere, it had during the Windsor life, much has been lost."

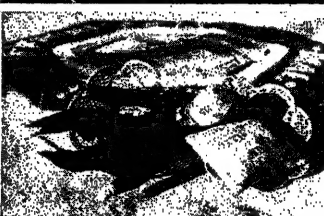
There is only one left of several of the duke's regimental flags, hanging in the main hall. Close friends frequently described the main salon as crammed with precious furniture and objects, including a table stacked with gold and diamond boxes and Fabergé-framed pictures. They're gone. Gone also are the extraordinary porcelain and 18th-century pieces of furniture, which went to the Louvre museum and Versailles, in accordance with the duchess's will. In the library, one can still see traces of two 18th-century Chinese corner pieces, which have gone to Versailles.

Al Fayed has done an impossible job of replacing curtains, recovering a brown velvet settee in the library, and repainting walls. The electricity and plumbing have been fixed.

Despite the fact that many pieces of the Windsor lived with have left the house, what's left is touching.

Sheet music — "I Love Paris," "Mr. Wonderful" and "Something's Gotta Give" — is still on the black baby grand, in a corner of the salon. The library downstairs and the duke and duchess's quarters upstairs are full of precious memorabilia. The handsome leather-bound book collection includes copies of "A King's Story," the duke's autobiography, in several languages.

Upstairs, in a small boudoir adjacent to the duke's quarters, the duchess's everything remains intact. The duchess's 18th-century Chinese desk is kept open, and pencils remain in a drawer in a box on the duke's desk together with dictionaries in four languages.



The duke's beloved chimney-sweep doll.

Pictures of the couple and of the royal family, especially of Queen Mary, abound. A photograph of Princess Margaret with Lord Snowdon and their children sits on the duke's desk. A picture of Queen Mary is on the duke's bedside table, as well as a little pillow, reading "Take it Easy." There is also a small rag doll, representing a chimney sweep, which was apparently so dear to the duke's heart that he took it to have it around all the time.

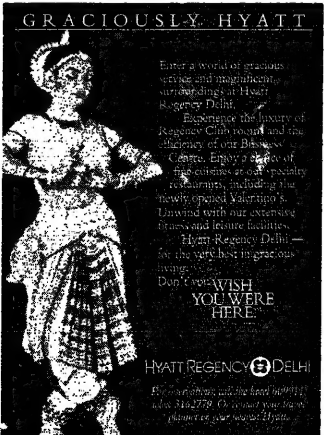
"It was the first thing I packed," said one of the butlers. "I could have forgotten a piece of jewelry but not this doll!"

In the duchess's bedroom, there are a Russian icon and several portraits of the duke, placed on a dressing table and on a carved, 18th-century Italian chest of drawers. Next to the bedroom is a relatively small dressing room holds closets full of shoes (including lots of purple and red ones), and bags, belts and furs, all neatly wrapped in tissue paper.

Among the riches of Beverly Hills, a little gem of a hotel.

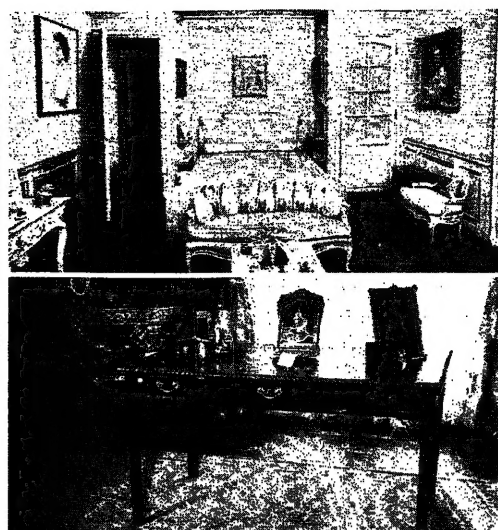
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with a royal history. The sale will include not only jewels, but other objects, including some of the duke's awards.

Al Fayed, who received the Legion of Honor from President François Mitterrand for bringing back the Ritz hotel to its former splendor, could be in line for a lordship, if only for helping heal the wound between the British crown and the Windsors. In the meantime, he is receiving hundreds of letters from grateful British citizens, including one from Helen



Photograph by Victor Sotirov

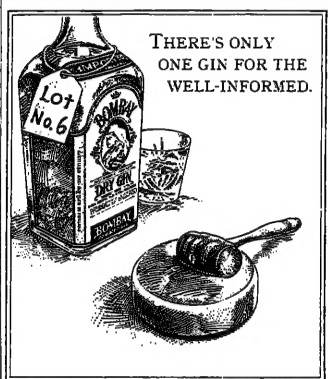
Mohamed Al Fayed in front of a portrait of the duchess in Windsor house; the duchess's bedroom with pug pillows on the settee, and the abdication desk.

Whistle, from Wales, opening with: "May God bless you and yours for the good thing you have done."

"This shows how this king was loved by his people," Al Fayed said.

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Lotto 6/49 is the official Canadian version of 6/49—the world's most popular form of lottery. It's the lottery in which you pick your own numbers and it's called "6/49" because you select any 6 of 49 possible numbers from 1 to 49. Your numbers are entered in the Lotto 6/49 computer system and if they match the six winning numbers chosen in the draw—you win the grand prize. Or if you have only 3, 4 or 5 numbers correct you win one of thousands of secondary prizes available.

HOW CAN I PLAY?

Complete the attached order form and send it to Canadian Overseas Marketing along with the necessary payment. Your numbers will automatically be entered for the specified length of time. You may select from 1 to 6 games for 10, 25, or 52 weeks. Each game

gives you another chance at the grand prize for every draw in which you are entered. You receive a "Confirmation of Entry" by return mail acknowledging your order and indicating the numbers you have selected as well as the draws in which they are entered.

HOW DO I KNOW WHEN I WIN?

You will be notified immediately when you win a prize of \$1,000.00 or more. Also, a complete list of all winning numbers will be sent to you after every tenth draw so that you can check along the way to see how you are doing. At the expiration of your subscription you will be sent a final statement of your winnings. All prize money will be converted to any currency you wish and confidentially forwarded to you anywhere in the world. So mail your order today—the next big winner could be you.

PRIZE BREAKDOWN (Actual Sample of One Draw)

PRIZES	NO. OF PRIZES	PRIZE VALUE
1ST PRIZE (6 OF 6, 558,889)	1	\$13,890,586.80
2ND PRIZE (5 OF 6, 10,844,811.50)	10	\$444,811.50
3RD PRIZE (4 OF 6, 3,704,704.70)	716	\$3,704,704.70
4TH PRIZE (3 OF 6, \$139.36)	48,817	\$139.36
5TH PRIZE (2 OF 6, \$10.00)	986,119	\$10.00
TOTAL PRIZES	1,014,788	\$27,443,236.10

All prizes quoted in Canadian dollars. 1st, 2nd, 3rd, and 4th prizes are calculated on a percentage of the total prize pool. Since the prize pool fluctuates from draw to draw, the size of the prizes will vary from the size of the prizes shown above.

Canadian Overseas Marketing
P.O. Box 48120, Suite 1703-595 Burrard St., Vancouver, B.C., Canada V7X 1S4
Telex: 04-507822

ORDER TODAY!

Mark six numbers on each game board you wish to play.



PICK YOUR PLAY — Check only one and define need to the option of your choice. ALL PRIZES IN U.S. FUNDS

FREE BONUS — Includes 1 DRAWING (10 WEEKS) OR 2 DRAWINGS (25 WEEKS) OR 3 DRAWINGS (52 WEEKS)

1 Game	\$ 45.	112.	\$ 225.
2 Games	\$ 90.	225.	\$ 450.
3 Games	\$ 135.	337.	\$ 675.
4 Games	\$ 180.	450.	\$ 900.
5 Games	\$ 225.	562.	\$ 1,125.
6 Games	\$ 270.	675.	\$ 1,350.

WALD ONLY WHERE LEGAL. NOT AVAILABLE TO RESIDENTS OF SINGAPORE.

CANADIAN OVERSEAS MARKETING ORDER FORM

EACH BOARD = 1 GAME MARK 6 NUMBERS ON EACH BOARD YOU WISH TO PLAY

1 10 20 30 40	2 10 20 30 40	3 10 20 30 40	4 10 20 30 40	5 10 20 30 40	6 10 20 30 40
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2 12 22 32 42	2 12 22 32 42	2 12 22 32 42	2 12 22 32 42	2 12 22 32 42	2 12 22 32 42
3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43	3 13 23 33 43
4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44	4 14 24 34 44
5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45	5 15 25 35 45
6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46	6 16 26 36 46
7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47	7 17 27 37 47
8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48	8 18 28 38 48
9 19 29 39 49	9 19 29 39 49	9 19 29 39 49	9 19 29 39 49	9 19 29 39 49	9 19 29 39 49

Make Cheque or Bank Draft (in U.S. Funds) payable to: Canadian Overseas Marketing and Mail to: P.O. Box 48120, Suite 1703-595 Burrard St., Vancouver, B.C., Canada V7X 1S4

NAME _____

ADDRESS/PO. BOX _____

CITY _____ COUNTRY _____

☐ Cheque ☐ Bank Draft ☐ VISA ☐ MASTERCARD ☐ EXPIRY DATE _____

CREDIT CARD NUMBER _____

SIGNATURE _____

NYSE Most Actives					
	Vol.	High	Low	Last	Chg.
AmEx	52349	57 1/2	57 1/4	59 1/4	+1 1/2
Goodyear	20525	42 1/2	41 1/4	42 1/4	+1 1/4
IBM	20794	10 1/4	10 1/4	10 1/4	+1 1/4
A.T.&T.	20355	25 1/2	24 3/4	25 1/2	+1 1/4
IBM	20348	10 1/4	10 1/4	10 1/4	+1 1/4
Schlitz	20338	33 1/2	32 1/2	33 1/2	+1 1/4
IBM	20335	10 1/4	10 1/4	10 1/4	+1 1/4
IBM	14681	33 1/2	32 1/2	33 1/2	+1 1/4
IBM	13795	10 1/4	10 1/4	10 1/4	+1 1/4
IBM	13692	21 1/4	20 3/4	21 1/4	+1 1/4
Exxon	13454	77 1/2	77 1/4	77 1/4	+1 1/4
IBM	13222	25 1/2	24 3/4	25 1/2	+1 1/4
Chemtels	11767	50 1/2	49 1/4	50 1/2	+1 1/4
IBM	10823	10 1/4	10 1/4	10 1/4	+1 1/4
TexCom	10712	29	28 1/4	29	+1 1/4

Dow Jones Bond Averages		
	Close	Chg.
Bonds	93.06	+0.05
Utilities	92.38	+0.07
Industrials	92.72	+0.05

Market Sales	
NYSE 4 p.m. volume	148,770,275
NYSE: adv. stock, close	15,844,474
Amex 4 p.m. volume	11,264,444
Amex: adv. stock, close	11,749,000
OTC 4 a.m. volume	111,264,444
OTC: adv. stock, volume	189,234,444
NYSE volume up	82,334,444
Amex volume up	3,334,444
NYSE volume down	2,334,444
OTC volume up	34,770,275
OTC volume down	30,770,275

NYSE Diary		
	Close	Prev.
Advanced	781	826
Declined	864	1020
Unchanged	68	477
Total Issues	2613	2303
New Hires	16	11
New Low's	31	18

NYSE Index				
	High	Low	Close	Change
Composites	142.67	142.25	142.57	+0.32
Industrials	140.37	140.15	140.37	+0.22
Transport	139.12	138.75	138.75	+0.63
Utilities	74.15	73.92	74.13	+0.22
Finance	144.85	144.38	144.38	+0.57

Odd-Lot Trading in N.Y.		
	Buy	Sales
Dec. 27	299,244	674,579
Dec. 11	263,682	691,629
Dec. 16	677,827	704,286
Dec. 9	723,454	645,724
Dec. 8	485,361	728,776

*Included in the sales figures.

	Open	High	Low	Last	Chg.
Index	1991.05	1995.34	1987.69	1992.81	+ 10.76
Trans	829.34	833.87	826.14	830.16	+ 4.82
Utilities	788.77	793.50	786.30	790.06	+ 1.29
Com	745.65	750.65	738.04	749.84	+ 4.19

AMEX Diary			
	Close	Prev	
Advanced	180	217	
Declining	294	294	
Unchanged	23	23	
Total Issues	7	7	
High Highs	33	33	
New Lists	33	33	

Standard & Poor's Index				
	High	Low	Close	Change
Industrials	274.18	272.63	273.14	+0.51
Transport	112.17	110.64	111.19	+0.53
Utilities	112.17	111.63	111.19	+0.56
Financial	58.17	57.66	58.13	+0.47
SP 500	248.12	246.77	248.21	+1.44
SP 100			227.08	+0.25

NASDAQ Index			
	Close	Ch'ge	Week's Avg.
Composite	353.32	+2.61	n.a.
Industry Index	353.46	+2.61	---
Financial	452.29	+1.84	---
Insurance	457.85	+3.29	---
Utilities	---	---	---
Banks	+14.82	+1.85	---
Transp.	349.42	+2.57	---

NASDAQ Diary		
	Close	Frst
Advanced	759	8
Declined	1,629	1.2
Unchanged	---	2.4
Total Issues	n.a.	4.5

	Vol.	High	Low	Last
Larston S	8570	149 1/2	159 1/2	163 1/2
Wickens	2200	29 1/2	29 1/2	29 1/2
TruAir	2200	29 1/2	29 1/2	29 1/2
F.T. Jones	1857	32 1/2	34 1/2	35 1/2
Hooder S	1814	21 1/2	21 1/2	21 1/2
S&L	1777	29 1/2	29 1/2	29 1/2
Winters	1740	12 1/2	12 1/2	12 1/2
W. F. Jones	1621	9 1/2	9 1/2	9 1/2
Aurifolia	1556	21 1/2	20 1/2	20 1/2
Urbig	1488	35 1/2	35 1/2	35 1/2
Urbig	1454	35 1/2	35 1/2	35 1/2
Hooder S	1391	16 1/2	16 1/2	16 1/2
Urbig	1230	10 1/2	10 1/2	10 1/2
Tent P.G.	1218	18 1/2	17 1/2	17 1/2
Wolfin	1187	18 1/2	18 1/2	18 1/2

[illegible]

NYSE Ends Mix

The Associated Press

NEW YORK — Friday ended mixed Monday on the New York Stock Exchange in a volatile session that began with a broad decline triggered by a rally led by blue chips.

The New York industrial average, which closed at 1280 last week, was up 15.25 to 1922.81 from 1912.6 Friday as the NYSE closed.

By the hour earlier, the average had moved down to 1910.75 in the early afternoon, it went down more than 17 points.

Declining issues led advancing ones, however, as the market closed.

Volume amounted to about 148.2 million shares, compared with 126.6 million Friday.

The NYSE reported a record 19,342,000 shares, 19,134 to 141,87, Standard & Poor's 500, 13,634 to 58,86 at 24.21.

Prices were lower in active trading of American stocks.

The market got off to a weak start. Monday analysts cited a rise in interest rates in the credit market.

Analysts said upward pressure on interest rates stemmed in part from signs that the Organization of Petroleum Exporting Countries was making progress toward its goal of shorting the world oil market.

But bonds picked up a bit as the afternoon progressed.

Brokers said stock traders were still looking ahead wary to the quarterly "triple witching hour" on Friday, when final trading takes place for futures, options and stock contracts. The index options and options on individual stocks.

In the past, some witching hours have produced sharp price swings in securities.

Prices of gold and precious metals, however, were

ked After Rally

investors involving futures or options on individual stocks.

Texas Commercial Bancshares rose $\frac{1}{2}$ to 44 and Chemical New York fell $\frac{1}{2}$ to 43 $\frac{1}{2}$, both on active trading. The two bank-holding companies agreed to merge.

Word of the deal prompted buying of Texas bank stocks. Texas American Bancshares climbed $\frac{1}{2}$ to 16 $\frac{1}{2}$; First City Bancorp of Texas $\frac{1}{2}$ to 4 $\frac{1}{2}$; and Republic Bank $\frac{1}{2}$ to 10.

Beneficiaries of the late strength in blue chips included International Business Machines, which rose $\frac{1}{2}$ to 127 $\frac{1}{2}$; Procter & Gamble up $\frac{3}{4}$ to 47; General Electric, up $\frac{1}{2}$ to 85 $\frac{1}{2}$; and American Express, which gained $\frac{1}{4}$ to 59 $\frac{1}{2}$ and led active list on turnover of more than 2.6 million shares.

Beneficial Corp. climbed 6 to 59 upon news that the company had been elected by its shareholders' meeting that had been expected to consider a liquidation plan.

MBB Plans a Venture With UT

On Automated Laser Technology

Reuters

MUNICH — Messerschmitt-Bölkow-Canib and United Technologies Corp. announced today on Monday to cooperate in developing flexible automated laser technology for the automobile and capital goods industries.

The companies said they had signed a letter of intent to form a joint venture in West Germany.

The project must be approved by the supervisory boards of both companies. No financial details were given.

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NYSE Ends Mixed After Rally

NEW YORK — Prices ended mixed Monday on the New York Stock Exchange in a volatile session that was marked by a decline and recovery in the rally led by blue chips.

The Dow Jones industrial average, which fell 1.80 last week, was up 1.23 at 2,821.81 on 192-1/2 points.

An hour earlier, the Dow was down more than 6 points and in the early afternoon, it moved back into the red.

Declining issues led advancing ones, however, with a 67-87 ratio.

Volume rose to about 148.22 million shares, compared with 146.56 million Friday.

The NYSE's composite index of 30 stocks rose 1.27 points to 126.73. Standard & Poor's 500-stock index was up 0.86 to 248.21.

Prices were mixed in active trading of American government bonds.

The market got off to a weak start Monday with Treasury bills and notes.

There was a rise in interest rates in the credit markets.

Analysts said pressing concerns on interest rate increases and the possibility of nationalization of Petroleum Exporting Countries was making progress toward its goal of shoring up world oil production.

Some banks perked up a bit as the afternoon progressed, and some prominent stocks rallied.

But the Dow Jones index was still under pressure, edging warily to the quarterly "tick" winning hour on Friday, when final trading takes place in a sea of expiring stock-includes futures, stock options and futures on futures.

In the past, some winning hours have produced wild and unpredictable swings in stock prices.

Texaco Commerce Renaissance rose 1% to 27 1/2. **United Nations** New York fell 1/2 to 20 1/2. **Active trading.** The two bank-holding companies faced no surge.

Word of the deal prompted buying of **Texaco** and **Texaco American Bank** climbed 1 1/2 to 16 1/2; **First City Bancorp** of Texas rose 1 1/2 to 17 1/2; **Bank of America** climbed 1/2 to 4 3/4; and **Republic Bank**, 1 1/2 to 20 1/2. **Bank of America** and **First City Bancorp** included **International Business Machines**, 1 1/2 to 127 1/2; **Procter & Gamble**, up 2 1/4 to 79 1/2; **General Electric**, 1 1/2 to 100 1/2. **Express**, which gained 1 1/2 to 59 1/2 and led active list on turnover of more than 2.6 million shares.

Beneficial Corp. tumbled 6 to 59 1/2 upon word that **Bank of America** might buy the company. **Bankers** holders' meeting that had been slated to consider a liquidation plan.

MBB Pans a Venture With Tech

Reuters

MUNICH — **Messerschmitt-Bölkow-Blomberg** and **United Technologies Corp.** announced plans on Monday to cooperate in developing flexible automated laser technology for use in the aircraft and industrial sectors.

The companies said they had signed a letter of intent for a joint venture in West German territory.

The project must be approved by the supervisory boards of both companies. No financial details were given.

MBB Plans a Venture With UTC On Automated Laser Technology

MUNICH — Messerschmitt-Bölkow-Blohm GmbH and United Technologies Corp. announced plans on Monday to cooperate in developing flexible automated laser technology for the automobile and capital goods industry.

The companies said they had signed a letter of intent to form a joint venture in West Germany.

The project must be approved by the supervisory boards of both companies. No financial details were provided.

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1730	+	特快
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1710	+	特快
1700	+	特快
1650	+	特快
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1610	+	特快
1600	+	特快
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1210	+	特快
1200	+	特快
1150	+	特快
1140	+	特快
1130	+	特快
1120	+	特快
1110	+	特快
1100	+	特快
1050	+	特快
1040	+	特快
1030	+	特快
1020	+	特快
1010	+	特快
1000	+	特快
950	+	特快
940	+	特快
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920	+	特快
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140	+	特快
130	+	特快
120	+	特快
110	+	特快
100	+	特快
50	+	特快
0	+	特快

NAME	AGE	SEX	REL	DATE	TIME	PLACE	REMARKS
John Smith	35	M	H	1910	10	St. Paul	Admitted
Mary Smith	32	F	W	1910	10	St. Paul	Admitted
James Smith	30	M	S	1910	10	St. Paul	Admitted
Elizabeth Smith	28	F	D	1910	10	St. Paul	Admitted
William Smith	25	M	B	1910	10	St. Paul	Admitted
Anna Smith	22	F	S	1910	10	St. Paul	Admitted
Charles Smith	20	M	B	1910	10	St. Paul	Admitted
John Smith	18	M	S	1910	10	St. Paul	Admitted
Mary Smith	16	F	S	1910	10	St. Paul	Admitted
James Smith	14	M	S	1910	10	St. Paul	Admitted
Elizabeth Smith	12	F	S	1910	10	St. Paul	Admitted
William Smith	10	M	S	1910	10	St. Paul	Admitted
Anna Smith	8	F	S	1910	10	St. Paul	Admitted
Charles Smith	6	M	S	1910	10	St. Paul	Admitted
John Smith	4	M	S	1910	10	St. Paul	Admitted
Mary Smith	2	F	S	1910	10	St. Paul	Admitted

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11. The following is a list of the names of the persons who were present at the meeting of the Board of Directors of the American Telephone and Telegraph Company, held on the 15th day of December, 1908, at New York City, New York:

No.	Name	Address
1	Mr. J. Edgar Hoover	Washington, D. C.
2	Mr. J. M. McKim	New York City, N. Y.
3	Mr. J. P. Morgan	New York City, N. Y.
4	Mr. J. D. Rockefeller	New York City, N. Y.
5	Mr. J. C. Smith	New York City, N. Y.
6	Mr. J. W. Taylor	New York City, N. Y.
7	Mr. J. B. Thompson	New York City, N. Y.
8	Mr. J. H. Van Dusen	New York City, N. Y.
9	Mr. J. A. Wilson	New York City, N. Y.
10	Mr. J. E. Young	New York City, N. Y.

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(Continued on Page 12)

Berlin: A Double Celebration

HISTORY AT A GLANCE

1237: Berlin Founded

On Spruce Trade Route

Berlin is founded for geographical and mercantile reasons, commanding a natural east-west trade route over the Spruce River.

1411: Hohenzollerns

Take Over Brandenburg

The Brandenburg baron Friedrich VI becomes governor of Brandenburg, beginning Berlin's association with the Hohenzollerns.

1871: City Is Capital

Of New German Reich

Following Bismarck's successful military ventures, the city becomes the capital of the German Reich.

Jan. 31, 1933: Hitler

Is Brought to Power

Hitler becomes chancellor, his storm troops marching through the Brandenburg Gate with muskets and torches. By the time of his arrival in power, the economic crisis in Germany had produced 636,000 unemployed people in Berlin alone.

1939-1945: Allied Bombing

Destroys Capital

Allied bombing during World War II leaves Berlin an estimated 50,000 dead. With the end of the war, the four-power occupation of the city begins.

June 24, 1948: Airlift

Feeds Blockaded City

The Soviet Union begins a land blockade of the western sectors of the city. To break the blockade, the Western powers mount an airlift of vital supplies to the city that lasts until September 1949.

Aug. 13, 1961: Communists

Begin to Build Wall

To stem the flow of refugees to the West, the East Germans start construction of a wall through the heart of the city.



Organ-grinder with Kaiser Wilhelm Memorial Church in background.

750th Birthday Reflects Split

By Henry Tanner

BERLIN — Like a divorced couple celebrating — separately — the birthday of a grown child, the rival authorities of West and East Berlin are making preparations for the celebration next year of the city's 750th anniversary. The watchwords are suspicion and competition, not cooperation.

The celebrations will be as different on the two sides of the wall as the political ambitions and basic ideological coloring of the leaders and the nature of the societies over which they preside.

The opening in the East will be a glittering gala concert of the East German State Symphony Orchestra on the first of the year. From then on, there will be 12 months of a dizzying sequence of concerts, operas, parades (including one involving about 40,000 marchers), exhibitions, at least one ball and, as climax, an official state ceremony presided over by Erich Honecker, the East German party leader — all of it against a majestic backdrop of lovingly restored historic landmarks and hastily built new palaces. Guest ensembles from almost every country in the world have been invited.

Every Monday morning for more than two years, special trains and convoys of buses have been bringing in brigades totaling 30,000 construction workers from all the corners of East Germany to finish the work in time for the

Suspicion and Competition

grand opening. Construction work has come to a virtual stop in the rest of the state.

West Berlin does not match this single-mindedness and ceremonial pomp. It lacks the monumental backdrop, since almost all the sites of Berlin's imperial past were on the East side of the wall where the heart of the city once

where the Gestapo once had its headquarters. Many of the celebrations are local events organized by the 12 West Berlin city boroughs competing with each other. Counterbalancing will be with established artists at famous cabarets in theaters and concert halls.

A decision on whether Christo will be allowed to wrap up the Reichstag building plastic has yet to be made. It is a toss-up, with those in favor gaining ground over the critics. The West Berliners, in other words, is a cultural and political diversity, spontaneity, fun, creative chaos and a good shot of come-alism and boasting about its wealth — all in keeping with its exuberant lifestyle.

"The East German leaders are saying, 'Look at us, we are somebody, we have a history and permanent state,' and the West Berliners are just being themselves," said one of the latter. There is competition of a less visible but more ominous kind, too.

For the East German regime, the anniversary is an occasion to promote well-defined permanent political objectives, including, first of all, de-facto recognition of East Berlin as a capital, de-facto recognition of East Germany and its acceptance of the East German state as permanent country like any other.

Both aims are stressed forcefully by Honecker in the official anniversary guide, beautifully illustrated book that was printed expensively with state-of-the-art Western equipment on fine paper. It is selling for about \$9 in West Berlin bookstores but is not yet available in the East.

Continued on page 11

Looking Back on the Place Where Everything Happened

By Shepard Stone

BERLIN — For almost 60 years I have had an affair with Berlin. Like all affairs, it has had its ups and downs. Not long ago, Alan Bullock, the English historian whose biography of Hitler remains the standard, suggested that the history

of the 20th century should be written from Berlin.

For good or evil, in peace and war, in industry, science, arts and culture, as an example for the melancholy and the potential richness of life in a metropolis, few cities have had a larger role in shaping the climate and events of our century. And for many of these years, as a student, journalist, in the army, in government and in a private capacity, I have been, off and on, a part of it.

It started in May 1919, when a Dartmouth professor, knowing of my urge to do graduate work in Europe, said, "Go to Berlin."

Why Berlin — my German was fragile to nonexistent and I had not been especially attracted to the photographs in history books of Kaiser Wilhelm II, Von Treppe, Hindenburg and Ludendorff and the others in St. Petersburg, Vienna, Paris and London, all of whom stumbled into World War I. (Shortly after the outbreak, a former German foreign minister asked his successor, "How did it happen?" The melancholy answer was, "I wish I only knew" — an exchange worth remembering when we look at our world today.)

My professor gave me two reasons for Berlin. "It has one of the greatest universities in the world (it was the time of Einstein, Planck and other Nobel laureates) and Berlin is the place where everything is going to happen."

I went to Berlin and by the time I left three and a half years later, a few weeks before Hitler came to power, everything was happening.

Soon after arriving in Berlin, I bought a first edition of Hitler's "Mein Kampf," written around 1923-1924. Friends said, "Why do you read that?" He is mad and he will never come to power." It was all mad, but he came to power, put the criminal policies he

had outlined into effect, launched World War II and helped to break the world apart. Germany and Berlin in the doing. During the first years of success, a majority of German applauded. I saw too many cheering in the streets while the Nazi banners went by.

In the last years of the Weimar Republic before Hitler took over, Berlin was the avant-garde city of the world. It was the time of the world depression, with million unemployed in New York, Paris, London

Continued on page 10

Technological Research Pushed

Economic Upturn Spurs Optimism

By Ferdinand Protzman

BERLIN — The winds of change have repeatedly swept across Berlin's economy, often carrying the seeds of destruction. War, blockade, division, political instability and isolation have weakened Germany's former economic and political capital. But the most recent shift, the economic boom sweeping on the city's strengths in academics and private research, has spawned a generation of small companies and weakened cautious optimism about the future.

The hope that West Berlin's economy is moving toward more self-sustained growth with less government funding is tempered, however, by the realities of its political and geographic situation. West Berlin remains an isolated enclave, with an economy requiring about 8 billion Deutsche marks (\$4 billion) in government subsidies each year, amounting to 12 percent of its gross domestic product.

The consequences of Berlin's turbulent history remain major factors in its economic development, said Peter Ring, director of the Berlin department of the Deutsche Institut für Wirtschaftsforschung, one of West Germany's leading economic research institutes.

"Before the war, about one-third of Berlin's industrial production went to areas that are now part of the German Democratic Republic (East Germany)," Mr. Ring said. "Now, it's less than one percent. About two-thirds of all industrial products go to the rest of the Federal Republic (West Germany)." He added that in 1958, over one-third of Berlin's foodstuffs and raw materials or semi-finished goods came from what is now East Germany, while today it is about 6 percent.

Losing the capital also had disastrous effects, Mr. Ring said. Besides the numerous government ministries, Berlin lost its position as the dominant financial city, with headquarters of most of the big commercial banks and insurance companies, its status as the center for wholesaling, publishing and advertising.

The 25 years following World War II brought little relief, with political factors — the 1948 blockade, Khrushchev's ultimatum that the Allies leave West Berlin and the construction of the Berlin Wall, dominating all other developments.

In 1971, agreements between the four occupying powers and the two German states put an end to the era of political instability and gave hopes that reduced tensions would allow Berlin to regain its status as a center for East-West trade. Those hopes were never realized.

Trade with East Germany expanded, but this was mostly due to increased deliveries of raw materials to West Berlin. Deliveries of goods and services to East Germany today have slipped back to pre-1970 levels.

Rather than renewed growth, heavy industry began to abandon West Berlin. Between 1970 and 1983, the city lost 110,000 jobs, and the gross domestic product grew at a sluggish annual average of 2 percent, compared with 2.8 percent growth in the rest of West Germany.

By the early 1980s, West Berlin's government and business community were faced with a dismal picture of low growth, high unemployment and rapidly diminishing expectations.

But hopes tempered by city's political and geographic situation.

where the proximity of universities and research centers combined with venture capital to create dozens of new, largely high-tech companies.

But they realized that recreating such areas anywhere in West Germany would be difficult, given the differences in society and economic structure, and especially difficult in West Berlin because of its political and geographic situation, Mr. Kaack said.

"There isn't any word in the German language for 'entrepreneur,'" he said. There was also no tradition of venture capitalism to bankroll people with ideas. Most businesses wanted state subsidies or guarantees, along with the considerable tax breaks already given to companies operating in West Berlin.

"We had to fight the subsidy mentality," Mr. Kaack said.

To do so, Deutsche Bank Berlin, an independently operated subsidiary of Deutsche Bank AG, West Germany's largest commercial bank, set up a small venture capital group in 1983 with capitalization of 20 million Deutsche marks, Mr. Kaack said. Today, there are 11 such venture capital groups in the city.

But the government continues to play a strong role in financing new companies and many fledgling entrepreneurs complain that the banks are not willing to act as true venture capitalists, betting money on an idea.

"The banks really aren't pulling with us," said Norbert Schlömer, founder and general manager of Robo-Kor GmbH, a West Berlin robotics concern established in 1983. "They play an overly cautious role. One hears the

word 'risk' over and over again. Instead of looking at the possibilities for developing a product, they want to see written orders. In the U.S., venture capitalists accept the risks, they realize that not every company is going to make it big and that many will go bankrupt."

"American model" having been European general manager for Unimation Inc. of Danbury, Connecticut, a leading robotics firm. Some of his former associates left Unimation several years ago to form a company in Silicon Valley and "raised \$9 million in start-up money from one day to the next," he said.

Mr. Kaack acknowledged that the venture capital groups have been extremely careful in spending money.

"We've made money and we've lost money," he said. "But I think it's important to see it as a learning process. Every year, we're taking another step forward, learning what it is to be involved in venture capital."

The 3 million Deutsche marks in seed money for Mr. Schlömer's company came from the Berlin government's investment fund. The company produces palletizing robots, which take goods from a production line and stack them in a container, eliminating a back-breaking task for workers. Sales in 1986 will total around 2.5 million Deutsche marks and the company has orders on hand totaling 40 million Deutsche marks, which should keep its 30 employees busy for the next year.

Finding employees has been an even tougher problem than financing, Mr. Schlömer said.

"It's very difficult to find qualified people," he said. "The universities and technical institutes are producing excellent new people, but they require about two years of training in industry. Getting experienced engineers, for example, is very difficult. They all want to go to the big companies like Siemens AG and Nordorf AG, which aren't likely to go out of business. It's the West German security mentality."

There is also a psychological barrier caused by the city's isolation, said Hans-Otto Otto of Wirtschaftsförderung Berlin GmbH, a government-funded group set up to entice businesses to locate in West Berlin.

"There is a psychological barrier that has to be crossed," Mr. Otto said. "When we get a company to come to Berlin, employees initially look for reasons not to relocate with the firm. But once they come, they don't want to leave. The city has a culture and atmosphere where you don't find elsewhere in Germany."

The jury is still out on Berlin's efforts to create a new breed of entrepreneurs and companies as the foundation for a more self-sufficient economy. But most observers see the chances as good. The picture is certainly brighter than it was in the recent past.

"The mood is positive now, and that is a major accomplishment," Mr. Ring said. "There is a new dynamism here. It's an increasingly lively city."

Despite the problems of setting up a new business, Mr. Schlömer agrees that Berlin is "a technological innovation," he said. "Berlin is a noise about the rest of the Federal Republic."

Ferdinand Protzman is Frankfurt staff correspondent of the International Herald Tribune.

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Kreuzberg's Vibrant, Confusing Subculture

The only consensus is that the atypical is typical.

By Ferdinand Protzman

WEST BERLIN — A plump, gray-haired, elderly woman stands at the corner of Mehringdamm and Giesensaustrasse in West Berlin, nudged up against the cold, carefully holding a package of cream-filled baked goods from a *Konditorei* down the block, waiting for the light to change.

At her side is a pale, scrawny man in his 20s, sporting a Day-Glo green mohawk, an off-necked by black leather jacket, pants, both covered with shiny chrome studs. He is shuffling his green sneakers, sans socks, to his own beat and singing along. A red crucifix and a piece of well-aged twine hang from one ear shake and sway in time to the music.

The wall light flashes green, the two step off the curb and collide. But the meeting of *Kuckuck* and *Charlie* ends with polite apologies, cream slices intact and leather unscuffed. Somewhere, *ad Vicious* is having a conspiracy.

It is a typical Tuesday morning in Kreuzberg, West Berlin's site of serious subculture and answer to New York's East Village.

Or is it? Opinions about Kreuzberg and Berlin's counterculture are as varied as the one itself. The only consensus is that the atypical is typical.

"It's a zoo," said a young American professional who asked to be identified as *Charlie*. "It's stunts mixed with boring art galleries and sad restaurants."

Art galleries, bookstores, used clothing shops and high-fashion "alternative" boutiques line the streets. Small theater companies abound and posters for upcoming performances wall-paper the area. Not everyone takes such a dim view of the cultural offerings. Kreuzberg has restaurants serving cuisine of almost every variety.

"Kreuzberg has the best whale steak in the world, but beyond that I hate it," said *Marlene Roderer*, a Bonn-based journalist who has traveled frequently to West Berlin. "I always feel like I'm in prison in that city."

The Berlin Wall marks the eastern boundary of Kreuzberg. Although it is covered with graffiti of every kind and color imaginable, it is a cold reminder that even the counterculture in

Berlin is physically isolated from the rest of West Germany.

"There are really two countercultures in Berlin," said *Jürgen*, a West Berlin journalist in his early 30s, while rolling a cigarette from a battered pouch of shag tobacco. "There's the official subculture and the countercultural subculture. Kreuzberg has them both, but it's mainly the countercultural subculture."

If that's not confusing enough, take a look at the music scene. The West Berlin city government has a rock commissioner, the only one in West Germany. *Bernd Mehlitz* is paid to take care of bands and their requirements. The former *Diebstahl* Trombone player has the slogan "creative bureaucracy" on his office wall. But the bands are divided between those who accept assistance and those who do not.

Among Mr. Mehlitz's accomplishments are helping alleviate a chronic shortage of rehearsal space for rock bands by acquiring the cellar of a grain elevator, which is then rented to bands. The bands are marginally grateful, complaining that the cellar is cold and damp in the winter.

One of the focal points for the Kreuzberg subculture is the Mehringhof complex, a 5,000 square-meter (53,820 square-foot) former factory building at Number 2 Giesensaustrasse. It was purchased on December 7, 1979, by a group of countercultural organizations headed by the *Schule für Erwachsenenbildung*, or School for Adult Education, which had formed a limited holding company for that purpose.

The entrance is an innocuous red-brick archway that is plastered with posters advertising upcoming gigs by bands such as the *Blueberry Hellbells*, the *Mighty Meats* and *ZooVicious*.

About 30 organizations, ranging from the school and several theater troupes to a bicycle repair shop, have divided the space. A trip through the inner courtyards of the turn-of-the-century building is like a patchwork quilt of West Berlin's alternative scene.

In a ground floor room on one side of the first courtyard, a children's theater class is standing in a circle around their teacher, with arms extended over their heads, swaying from side-to-side like trees in the wind. The sound of someone slowly picking out jazz riffs on an electric bass guitar drifts down from the top floor of the five-story building.

Across the way, three young Turkish men are sitting in a classroom with a leftist political slogan emblazoned in red above the blackboard. They do not appear to be plotting revolution. The desks have been pushed aside to make room for a Ping-Pong table. Kreuzberg has a large Turkish community and some adult education classes at the Mehringhof are taught in Turkish.

The basement bookstore in the second courtyard is filled with off-beat works, many of them centered on leftist politics. The clerks are busy discussing how obvious the undercover policemen were at the demonstration Dec. 7 on the *Kurfürstendamm*. West Berlin's chief shopping street. West Berlin police estimated that about 600 people attended the largely peaceful



Some of the city's punk set relaxing in front of a bunker.

gathering, which was called to protest the killing of a French student by Paris police.

Asked how he knew the person in question was a policeman, one clerk reacted with amazement.

"Of course he was a cop. He had a big bulge under his arm where the gun was and he kept holding his backpack closer to us. I expected him to ask us to speak more clearly because he was trying to make a tape recording."

But viewing the West Berlin counterculture during the morning hours is like looking at London in the fog.

In the 1938 German film "Dance on the Volcano," one of the best-known songs began with the words, "the night isn't there only for sleeping," and West Berlin does its best to make that statement true.

The clubs, pubs and restaurants begin to fill up around 11:30 P.M. and many stay open until dawn, regardless of closing laws. Like Manhattan, West Berlin seems to have something for everyone, no matter how exotic their tastes may be.

In fact, many young West Berliners say the only other city they could consider living in is New York.

"There is so much going on here," said a young woman, who is a part-time fashion model. "I don't think I could stand living anywhere else. The rest of Germany goes to bed at nine."

Where It All Happened

Continued from page 9

Berlin, everywhere. In Berlin, sellow men and women, without work and without support, stood disturbed, angry on the street corners or in the courtyards of broken down buildings, without hope, in despair. They provided the kindling for the Nazis and Communists, who fought each other, killed each other.

And yet there was another Berlin — to which many of the creative artists, writers, poets, producers, actors, painters, academicians and scientists from northern, southern, eastern and western Europe were drawn. It was slightly off balance, every new idea had its chance every day in its day. It was vibrant, energetic, dazzling.

Of that Berlin, Carl Zuckmayer wrote, "You had to be in Berlin to smell the future." And a Berlin rabbi, who had the luck to emigrate from Hitler's Reich, later wrote, "If one chose a city and a time where one wanted to live, it would be the Berlin of the 1930s."

That was the Berlin I came to, an innocent out of New Hampshire, by way of a two-day stand in New York. Within a few weeks I heard the Berlin Philharmonic, under Furtwängler, and in concert halls and at the opera there were also Bruno Walter, Otto Klemperer and Erich Kleiber. There was Max Reinhardt in the theater. I heard *Marlene Dietrich* and have been torn since. I sat in the cafe next to artists, bankers, philosophers, fantasists of the Right and the Left. I lived in the area that *Lisa Minnelli* and "Cabaret" made famous years later. Down below on the street corners were rough ladies and even stranger men. I am glad to report they were reunited.

The university was exciting. The intellectual and social climate was intensive. Many of the students were more interested in politics than in studies. There seemed to be a Nobel laureate in every other corner. No wonder that *Johnny von Neumann*, *Leo Szilard*, *Edmund Teller*, *Raymond Aron* and others came out of Prague, Budapest, Paris and everywhere else to study in Berlin.

One night our foreign friends students club staged its "annual" dinner — we had never held one before — in a seedy Berlin restaurant. As a luck, we had invited Einstein. He never answered, but that night, while drinking beer, in walked the great man and spent two hours with us. We were so overcome that none of us remembered what he said.

The Berlin girls, or some of them, turned one's head. I am glad to say that for more than 20 years we have been with me, proving that Berlin-American friendship did not start with the blockade and airlift in 1948.

In the U.S. Army, shortly after the end of World War II, one stood among the ruins of Alexanderplatz, Unter den Linden and Kurfürstendamm, shaken by memories, and I thought that the city would never be rebuilt. It was.

Women began to stack the bricks and stones (somehow historians seem to overlook the influence of women in history) and under such leaders as *Ernst Reuter*, a new, determined free West Berlin began to emerge.

The Berliners had learned the lessons of Hitler and they resisted a new totalitarianism from the East. It was their stand during the 1948-1949 blockade that softened feelings in Western Europe and in the United States about the Germans and led to the Atlantic Alliance.

WEST Berlin today is larger than one thinks — 25 miles (40.5 kilometers) across and long. Thirty-five percent of the city comprises lakes, rivers and forest. It is not New York, Paris, London or Rome, but there is something about the place, a spirit or atmosphere that takes hold and doesn't let go.

Here is the point where two world systems, divided by a brutal wall, battle by the Communists, meet at Checkpoint Charlie. The wall, unfortunately, symbolizes the realities of our world. Here is Germany's most international and stimulating city, with more than 120,000 Turks, men, women and children from everywhere, a mixture of people, culture, ideas, architecture, ways of life.

Today, the city is a high-tech center of energetic young inventors and entrepreneurs backed up by more than a hundred scientific and other institutes and 50,000 university students from all parts of Germany and the world. Some of the industrial and scientific activity is in the tradition of the early part of the century, when Siemens, AEG and others were showing innovative leadership in electronics, automobiles and other industries.

In one of those institutes in the 1930s, *Otto Hahn* carried out, as he put it, "a nice little experiment" in which he split the nucleus of the atom (he was later surprised by the implications) and the world moved to *Lisa Meitner*, *Niels Bohr*, *Einstein* and finally President *Roosevelt*, who launched the Manhattan Project.

The city remains slightly mad, open to experiments, some promising, some absurd. It is a hotbed of ideas where social, intellectual and other universal problems are anticipated, tried out, carried through or abandoned. Occasionally, the young like to demonstrate in the streets, sometimes for causes that are not always convincing. The avant-garde is comfortable here, anything goes and nobody seems to care. The situation is balanced by the Berlin Philharmonic, opera, museums, libraries and *Kloppen*. One wonders sometimes if the Berliners ever eat at home.

The Berliner is cynical, flippant, tolerant, sometimes abrasive but he can take and make a joke and he can be neighborly. The city has seen too much violence and brutality in the past for the Berliner to be romantic.

Next year, Berlin — the two Berliners — celebrate the 750th anniversary of the city's founding. Unfortunately, East Berlin will not open up the Brandenburg Gate and *Potsdam* Plans to allow a free flow of people in both directions. Someday the wall will come down because East and West will learn, as they must, to live more tolerantly next to each other. It is a pity that I will not be around. Berlin, for me, has been an adventure. Apart from the brutal Nazi years, I am grateful to the place, notwithstanding its problems, for a future. There is hope in the air.

Help Celebrate Berlin's 750th Birthday



My native city of Berlin will be 750 years old in 1987 and I would like to invite you to join us in our year-long celebration. Our historic cultural past has not been forgotten as we have become one of Europe's most advanced and exciting cities.

Special events will be taking place all year which reflect Berlin's historic and present place in the arts, music and entertainment. Berlin's museums and galleries are world famous and we have more than 20 stages for you to experience musical theatre at its best. And many of the celebration events will take place in both parts of Berlin so you will experience what makes Berlin so unique.

In 1987, Berlin turns on the celebration for Berliners and for you. Make sure your travel plans in 1987 include Berlin. We are looking forward to having you come and celebrate Berlin's birthday.

Eberhard Diepgen
Governing Mayor of Berlin

BERLIN TURNS ON

For more information on Berlin's 750th anniversary celebrations, contact your travel advisor or write to the Press and Information Office, Rathaus Schöneberg, D-1000 Berlin, 62.

Well, no! To

A Precarious Enclave

Surface Normalcy Is Deceptive

By Henry Tanner

BERLIN—West Berlin is not a normal city in spite of the deceptive normalcy and variety of the many lifestyles of its inhabitants.

Forty-one years after the end of the war, the city is still under Allied military control. Even though their presence is hardly visible—except in the areas where they are quartered—the 12,000 American, British and French soldiers of the occupation forces remain the shield that guarantees protection against encroachment from the East.

The city's legal status still rests on the 1945 agreement between the four occupying powers even though cooperation between the Soviet Union and the Western Allies broke down in 1948, when the city was divided into an Eastern and single Western sector.

The first 20 postwar years were the crisis years. They saw the Soviet blockade and the Allied airlift of 1948-1949, the pressures and threats from Khrushchev in the early 1960s and the construction of the wall in 1961. In 1971 and 1972, the four powers signed a second set of agreements safeguarding Western access by air, road, rail and waterways and defining West Berlin's political links with West Germany. But the city's permanent status was not settled.

Since then, although this is one place where the Cold War has never stopped, there have been no outright Soviet or Soviet-led threats to the city's political and economic integrity—only periodic nibbles.

But West Berlin is not a part of West Germany. Its citizens do not take part in West German elections. It sends delegates to the Bundestag, the West German parliament, but they are named by the city parliament and not elected by the voters. In the Bundestag they take part in the debates but cannot vote.

Berlin thus remains a precarious Western enclave in Soviet-controlled territory. But it is neither a front-line bastion nor a real bridge to the East. And after the many years of relative calm, the need for the Allied shield is less evident than at any time since the end of the war. The challenge, now that the heroic post-war days are a distant memory—and for the younger generation not even that—is to live with the surface normalcy.

Ironically, there are problems. It is not easy for a city of 1.7 million inhabitants to live in a permanently unsettled state, with its rights to self-government curtailed under a 41-year-old agreement between foreign powers.

Surprisingly, the tensions have been relatively few. One of the reasons is the discretion of the "occupying" powers. Another is the fact that the provisional status has been good for the city, which has prospered.

There have been demands for the Allied military to reduce their role. But even the leftist Alternative List, the Berlin equivalent of the West German Greens, favors a "token" Allied military presence even while demanding that the number of troops be drastically cut.

Mayor Richard Diepgen, when he took

office, asked for a revision of the more than 6,000 Allied laws and regulations that were passed with Soviet participation in the postwar years and continue to affect the lives of the residents.

Some of these laws are obsolete and irrelevant, and some have been vetoed out in negotiations between Mr. Diepgen's legal experts and those of the three Western allies. But the

East-West balance in Berlin has lasted too long and the stakes are too high.

Soviet-Allied contacts in Berlin resemble a carefully rehearsed ballet in which the basic moves are never varied. Procedures going back to 1945 and 1971 are all that counts. "We are watching them and they are watching us; sometimes we protest one of their moves just because we know they expect us to and because

Berlin is neither a front-line bastion nor a real bridge to the East.

Allies are wary. They are reluctant to throw out any provision that was part of the initial four-power agreement with the Russians for fear that Moscow might one day say that the status has been amended to the point where it no longer exists or applies.

But such a frontal Soviet attack on the city's status is considered unlikely. The precarious

silence could be misinterpreted," an Allied official said.

The American Consulate in West Berlin is the only U.S. representation abroad that does not "retire" its classified files after two years but keeps them indefinitely. Three to four historians are working permanently in the archives.

750th Birthday Celebrations Reflect Political Division

Continued from page 9

Richard Diepgen, the governing mayor in West Berlin, has received two invitations from East Berlin, and one of the hottest political questions for the past months has been whether he will accept one or both—or none—of them. His decision, Allied and West German officials say, may have a bearing on the future of West Berlin and, hence, even on the security of Europe.

One invitation came from Mr. Honecker and asked Mr. Diepgen to attend the "state ceremony in Berlin, capital of the German Democratic Republic." The other, from East Berlin Mayor Richard Krich, is for an international meeting of mayors from around the world.

Mr. Diepgen is consulting with Bonn and with the three Western occupying powers, now usually called protective powers, which are clearly apprehensive that he might do something that would weaken the city's basic legal status, on which its freedom has been resting for the last 41 years. Mr. Diepgen, clearly, is eager to attend some of the celebrations in the East.

But if he accepted Mr. Honecker's invitation, it could be interpreted as implied recognition of East Berlin to be the capital of the East German state. The West continues to regard the Eastern sector of the city as a part of the territory under four-power control by the Allies.

Other West German leaders, including Helmut Schmidt when he was chancellor and President Richard von Weizsäcker when he was governing mayor of Berlin, held meetings with Mr. Honecker. But those meetings were held outside Berlin and did not involve state cere-



The 210-foot Victory Column stands at the center of Grosse Stern or Great Star in Berlin. The Sieges-
säule, as it is called, was raised in 1873 to commemorate the Franco-Prussian War and originally stood in front of the Reichstag.

monies although Mr. Schmidt's visit was an official one. The major Western powers, including the United States, have embassies in East Berlin but have consistently maintained that this is a practical step with no legal implications for the status of the "sector."



The 25th anniversary of the Berlin Wall was marked on Aug. 9 by protests in the western sector of the city.

The invitation to the mayor's meeting is less problematical, according to West Berlin officials, but here, too, there are pitfalls. Can Mr. Diepgen, whom the West regards as the governing mayor of all of Berlin, accept an invitation of the mayor of the Eastern sector without implying that the East is a city in its own right? And what would happen if the hosts, with the help of attending Communist and Third World mayors, gave him the protocol treatment of a head of state rather than that of local and regional West German officials who will also attend?

Mr. Diepgen thus finds himself at the center of a potential international storm affecting basic East-West relations, as is the case of almost everything that happens, or does not happen, in this city.

The issues that he is pondering seem abstract and remote from everyday life. But they are far more than political theology.

The Berlin Wall will not come down during the celebrations, even though more Westerners and West Germans, by the millions, probably, will flock to the East than ever before.

Checkpoint Charlie, the most famous of the crossing points, has been refurbished. The 25-year-old temporary structures of wood and corrugated iron have been replaced by ornate permanent stone buildings suggesting a cross between a highway toll station and a military fortress, while a hundred yards or so away the finishing touches are being put to a lavish new Grand Hotel.

On the Western side, the wall is covered with graffiti in all imaginable colors. The inscriptions are in every known language, with German, Turkish and English prevailing in that order. The decorations range from children's scribbles to impromptu avant-garde art.

The East side of the wall is a deceptively pristine white, which owes nothing to decorative purposes but makes it easier for the border guards to pick off fugitives and shoot them down.

There have been several attempted escapes recently. One, late last month, caused a more than usual outcry in the West, partly because it came at a time when the invitation to Mr. Diepgen was being discussed and partly because the grizzly circumstances of the killing were watched from the West.

The would-be refugee, a young man in a white shirt, had reached the top of a ladder and his hands were gripping the top of the wall when he was hit by submachine-gun fire. He fell back inside the death strip on the Eastern side. A border guard, probably the one who had fired the fatal shot, rushed up and cursed the dying man. But another guard shouted his disgust and was dismissed and arrested. Witnesses living a few feet away on the Western side watched the scene through a crack in the wall.

A few days later, Mr. Honecker praised the border guards. His statement ended speculation in the West to the effect that the guards now had orders to shoot but to miss. The speculation had arisen after several cases became known of would-be fugitives being shot at but surviving. The belief now is that these cases were due to individual East German soldiers.

The possibility of a rash of escape attempts during the anniversary year is thought to be a major worry for Mr. Honecker. A series of killings at the wall in the presence of prominent visitors would spell disaster for his efforts to bolster the international prestige of East

Germany and give it the appearance of just another country. But it is something that Mr. Diepgen and other potential visitors also have on their minds.

Few East Germans will be able to see the displays and events in the West, except for the Japanese fireworks and, of course, the ample daily coverage by West Berlin television.

Yet, even though the dialogue between the two Germanys has recently been in abeyance, reflecting a bad spell of tension between the government of Chancellor Helmut Kohl and the Soviet Union, there has been one notable improvement.

For the first time since the wall went up in 1961 large numbers of young and middle-aged East Germans are now able to visit the West for 10 days if they claim urgent family matters. In the past the right to visit relatives has been confined largely to men over 50 and women over 60.

More than 250,000 younger persons received permission to travel during the first 10 months of the year, according to West German officials. During the preceding years it was an average of about 60,000. Permission is never given simultaneously to several members of a family, and almost all the travelers have returned when their time was up.

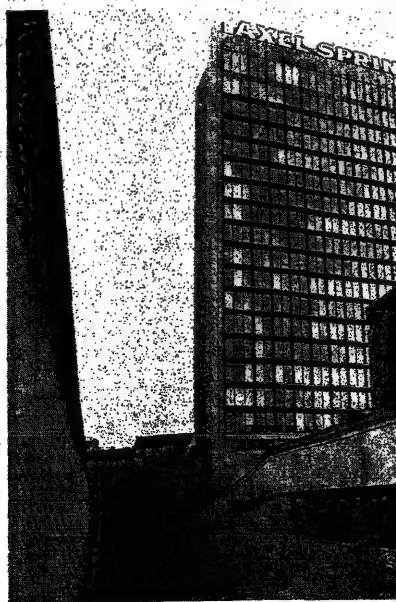
The number of East Germans allowed to emigrate to the West has not increased, however. It was about 20,000 last year.

Western officials can only guess at the reasons that prompted Mr. Honecker to ease the restrictions on temporary travel at a time when there are no signs of political liberalization in other fields. One informed guess is that the measure is a safety valve to relieve some of the political and psychological pressures on the eve of the anniversary celebrations.

Willkommen in Berlin

The building you see overlooking the infamous Berlin Wall is the home of the Axel Springer Publishing Group. We publish newspapers, magazines, books. Our house was built there to

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Exhibition for the food industry, agriculture and horticulture |
| 07.03.-12.03. | International Tourism Exchange ITB Berlin 1987 |
| 05.04.-03.05. | 17th FBK Free Berlin Art Exhibition 1987* |
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| 06.05.-08.05. | Compas '87
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| 24.05.-29.05. | 17th International Congress on Dermatology* |
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| 01.07.-04.07. | CAR '87 Computer Assisted Radiology
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| 28.08.-06.09. | International Audio and Video Fair Berlin 1987
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Stocks	Index	Change
NYSE	2,314.14	+1.14
AMEX	100.00	+0.00
NYSE	100.00	+0.00
AMEX	100.00	+0.00
NYSE	100.00	+0.00
AMEX	100.00	+0.00
NYSE	100.00	+0.00
AMEX	100.00	+0.00
NYSE	100.00	+0.00
AMEX	100.00	+0.00

TUESDAY, DECEMBER 16, 1986

INTERNATIONAL STOCK MARKETS

Proposed Tax on Savings To Alter Japan's Investing

By CHARLES D. SHERMAN
International Herald Tribune

TOKYO — Trying to gauge the impact of sweeping proposals to change Japan's tax code, financial analysts are not ready to place bets on specific stocks or sectors of the economy, but they agree that over the coming months the new tax structure could be a powerful market force. Now in final preparation by the Liberal Democratic Party for parliamentary action early next year, the legislation will cut taxes and impose new ones by nearly equal amounts. Experts can only guess at how the balancing act will affect what Japanese workers and corporations do with their money.

Though many details of the bill are undecided, a major element is a new 20 percent levy on previously tax-exempt savings accounts. Economists estimate that those funds, the board of Japan's small savings amount to 268 trillion yen (\$1.6 trillion). The figure, for comparison, roughly equals the capitalization of the companies on Tokyo's stock exchange.

"The big thing the market has picked up on is the canceling of the tax-free savings," said Craig Chudwin, a stock market analyst for Merrill Lynch in Tokyo, Japan. "The big thing the market has picked up on is the canceling of the tax-free savings," he said. "It's the easiest part of the tax bill to understand. You can just see the money."

Under the current tax system, individuals are entitled to bank 3 million yen tax-free. But because tax authorities have had difficulty policing the system, the statute has been widely violated. People often open several accounts under different names. The new law is aimed at curbing such practices.

One indication of the potential for a shift out of bank savings is the swift growth in the last year of Japanese trust funds, investment pools that have increasingly attracted small investors seeking higher yields. Trust-fund assets reached 30 trillion yen at the end of November, having risen by 10 trillion yen since the end of last year, Mr. Chudwin said.

A chief factor behind the trust-fund growth has been falling interest rates, reflecting the steady decline in Japan's discount rate to a postwar low of 3 percent.

Still, the investment broker said that pinpointing stocks or economic sectors that would benefit under the new code would be "speculative." Political forces in the weeks leading up to a vote on the bill will be important in determining the winners and losers, he felt. "There's no stable picture."

Minor Hama new tax instrument contradicted in the proposed law. Dropping the exemption on savings, also said, might prompt the See JAPAN, Page 17

Output In U.S. Up 0.6% For 7 Months

Rise Is Smallest Since 1981

The Associated Press
WASHINGTON — Production at U.S. factories, mines and utilities climbed 0.6 percent in November, the largest increase in seven months, the government reported Monday.

The Federal Reserve Board said that the November advance followed three months of decidedly weak performance. Industrial production rose only 0.1 percent in both October and August and was unchanged in September.

But even with the increase last month, industrial output was just 0.8 percent higher than it was a year ago, emphasizing the lull made by foreign competition.

The Reagan administration is confident that the economy will show a sizable rebound in growth next year, but officials concede that this forecast is based in large measure on the belief that the country's huge trade deficit will begin to shrink next year.



Nova Scotia fishermen repairing a scallop 'rake' aboard a trawler.

Big Oil vs. Nova Scotia's Fishermen

Nothing to Gain and All to Lose, They Inform Texaco

By Douglas Martin
New York Times Staff Writer

SHELBURNE, Nova Scotia — The lines etched in the faces of some 75 fishermen gathered here testified to the punishing weather in which they have long worked. The anger in their voices reflected a new threat — big oil.

While the world's oil industry has stalled, Texaco Canada Resources Ltd. is proposing to drill two wells within the Canadian portion of the offshore Georges Bank about 130 miles (208 kilometers) south of Yarmouth, Nova Scotia.

The wells, the Gowler and the Hunkley Drive, would be drilled at a cost of \$12 million (\$4.8 million Canadian dollars) and would represent one of the few new exploratory efforts anywhere in the current price-depressed environment.

The fishermen's complaints, indeed, they readily admitted that they could provide no guarantees other than the industry's overwhelmingly safe performance in drilling offshore for four decades.

But the oil men did argue that if oil is struck, it may become sorely needed in the five to seven years it would take to develop the field. The government has suggested that Canada, now self-sufficient in oil, may be importing some 500,000 barrels a day if present production and consumption trends continue. Each barrel contains 42 gallons (159 liters).

As such, the discussion here mirrored the one in the United States when Presidents Gerald Ford and Jimmy Carter tried to pin the national interest in energy supplies against New England's environmental and fishing concerns. Not until President Ronald Reagan, a rough-talking captain

Chemical to Buy Texas Bank for \$1.19 Billion

By James L. Rowe Jr.
Washington Post Staff Writer

WASHINGTON — Chemical New York Corp. and Texas Commerce Bankshares of Houston announced Monday that they have agreed to merge in a transaction valued at \$1.19 billion that will produce one of the biggest bank combinations in the United States.

Texas Commerce, like many other Texas banks, has been hit hard by the decline in oil and gas prices, and, more recently, by a collapsing real estate market.

But Texas Commerce's loan portfolio is considered to be in far better shape than those at many other large Texas institutions. Texas Commerce has been considered among the more attractive takeover candidates in the troubled state.

Earlier this year the Texas legislature changed the law to permit out-of-state banks like Chemical to take over Texas institutions.

A spokesman for Chemical said that the merger was not expected to be completed until sometime in the second quarter of 1987. It must be approved by shareholders from both institutions and the combination also will require the assent of the Federal Reserve Board and other regulatory agencies.

Chemical, the nation's sixth biggest bank company whose flagship is Chemical Bank, has assets of about \$56 billion and has branches and affiliates in 22 states and 38 foreign countries. Texas Commerce has nearly \$19 billion in assets.

Their combined \$75 billion in assets would create the fifth-biggest U.S. bank company behind Citicorp, BankAmerica Corp., Chase Manhattan Corp. and Manufacturers Hanover Corp. and about equal to J.P. Morgan & Co.

Texas Commerce is the holding company for 70 member banks in 25 markets throughout Texas. In February, the Treasury Department imposed a \$1.9 million penalty against Texas Commerce for failing to report large currency transactions.

In the quarter that ended Sept. 30, Texas Commerce reported a steep decline in profits to \$10.1 million from \$21.4 million the previous quarter.

Under terms of the merger agreement, each share of Texas Commerce stock will be exchanged for \$7 in cash, securities with a face value of about \$16 and one share of a new issue of Chemical Bank common stock.

Chemical shares were down \$1.50 at \$42.875 on the New York Stock Exchange at 3 P.M. Monday. Texas Commerce was up 50 cents at \$27.

Walter V. Shipley, chairman of Chemical, said Texas Commerce was a good acquisition because its loan problems are "containable." It is a well-managed institution in a difficult economic environment," Mr. Shipley said.

Ben Love, chairman and chief executive officer of Texas Commerce, said the merger will give his bank "a significant competitive edge by being the first Texas bank to diversify so broadly."

Wallach Resigns As a Governor On Fed Board

WASHINGTON — The Federal Reserve Board said Monday that Henry C. Wallach resigned as a member of the board of governors on Monday due to poor health.

Mr. Wallach was the second member of the seven-person board, which sets monetary policy and regulates banks, to announce his departure recently. On Oct. 2, Emmett Rice resigned effective Dec. 31.

Mr. Wallach, 72, was the senior member of the board in years of service, having been appointed by President Richard M. Nixon in March 1974.

When President Ronald Reagan assumed the two replacements he will have appointed all seven governors.

Currency Rates

Currency	Rate	Change
Australian dollar	1.3700	+0.0050
Belgian franc	36.3600	+0.0000
British pound	1.6400	+0.0000
Canadian dollar	0.7500	+0.0000
Deutsche mark	1.8000	+0.0000
French franc	6.5500	+0.0000
Italian lira	1,360.00	+0.0000
Japanese yen	163.00	+0.0000
Netherlands guilder	3.6000	+0.0000
New Zealand dollar	0.4500	+0.0000
Portuguese escudo	200.48	+0.0000
Spanish peseta	166.64	+0.0000
Swiss franc	1.7300	+0.0000
West German mark	1.8000	+0.0000

Currency	Rate	Change
American dollar	1.0000	+0.0000
British pound	1.6400	+0.0000
Canadian dollar	0.7500	+0.0000
Deutsche mark	1.8000	+0.0000
French franc	6.5500	+0.0000
Italian lira	1,360.00	+0.0000
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Swiss franc	1.7300	+0.0000
West German mark	1.8000	+0.0000

Source: Reuters, Bank of Tokyo, Citicorp, etc.

Interest Rates

Instrument	Rate	Change
3-month T-bill	7.50%	+0.00%
6-month T-bill	7.50%	+0.00%
1-year T-bill	7.50%	+0.00%
3-month Treasury note	7.50%	+0.00%
6-month Treasury note	7.50%	+0.00%
1-year Treasury note	7.50%	+0.00%
3-month corporate bond	7.50%	+0.00%
6-month corporate bond	7.50%	+0.00%
1-year corporate bond	7.50%	+0.00%

U.S. Money Market Funds

Fund	Assets	Assets
First American	\$1.1B	\$1.1B
First Capital	\$1.1B	\$1.1B
First Fund	\$1.1B	\$1.1B
First Income	\$1.1B	\$1.1B
First Investor	\$1.1B	\$1.1B
First Life	\$1.1B	\$1.1B
First Money	\$1.1B	\$1.1B
First Real Estate	\$1.1B	\$1.1B
First Securities	\$1.1B	\$1.1B
First Small Cap	\$1.1B	\$1.1B
First Tech	\$1.1B	\$1.1B
First Value	\$1.1B	\$1.1B

Gold

Market	Price	Change
London	\$370.00	+0.00
New York	\$370.00	+0.00
Paris	\$370.00	+0.00
Frankfurt	\$370.00	+0.00
Zurich	\$370.00	+0.00

To Our Readers

Because of a strike at Agence France-Presse, World Stock Listings are incomplete. We regret the inconvenience.

Saudis Offer 7.25% Cut In Oil Output to OPEC

By Andrew Hill
Reuters

GENEVA — Saudi Arabia put forward a compromise proposal on Monday in an effort to make progress in talks by the Organization of Petroleum Exporting Countries (OPEC) on raising world oil prices, but a rival by Iran and Iraq threatened an accord, delegates said.

They said that the new Saudi oil minister, Hibsham M. Nasser, in his first major initiative at the OPEC conference, proposed that the group reduce its oil output by about 7.25 percent next year to tighten the market and achieve its goal of a price at \$18 a barrel.

The OPEC meeting, in its fifth day, has been stalled since Friday over how far it should cut overall output by the cartel and by unanimity at the conference table between Iran and Iraq, which are at war, over their individual production quotas.

Some radical nations, including Libya and Algeria, have a 10-percent output cut to push prices as high as possible, but moderates say 5 percent would suffice.

A ministerial session planned for Monday morning was abruptly postponed to allow member states to study the Saudi initiative and a way around the Iran-Iraq dispute. Delegates said they did not expect a full ministerial session to be held unless there was a firm prospect of agreement.

News of the Saudi scheme was taken positively in the free oil market where traders marked up prices for Britain's key Brent grade by 35 cents a barrel to about \$16.10.

It was the first time that Mr. Nasser, replacement for Sheikh Ahmed Zaki Yamani, who was dismissed in October, had disclosed the Saudi position at the talks.

Saudi Arabia had been saying that it would not be expected to make further sacrifices for OPEC. Its output, the group's biggest, has fallen by more than half in recent years when it led OPEC attempts to keep prices relatively high and stable.

EMS Likely to Be Realigned By Spring '87, Report Says

KIEL, West Germany — The European Monetary System probably will be realigned by spring 1987 because of the continuing large discrepancy in inflation rates among its members, the Kiel Institute for World Economics reported Monday.

However, the institute predicted that the realignment would be limited. West Germany will seek to avoid damage to its exports, the report said, while other members of the monetary system try to avoid importing inflation.

The Deutsche mark is therefore not likely to be significantly revalued in 1987, the report said.

The EMS is the mechanism used by many leading members of the European Community to maintain fixed exchange rates against each other and a floating rate against outsiders.

The institute forecast that West German exports would rise by about 3 percent in 1987 after virtually stagnating in 1986 as the Deutsche mark rose sharply against the dollar.

The report's predictions for 1987 were based on the theory that import demand in oil-producing countries will stop declining now that oil prices have stabilized.

Most other industrialized countries can expect strong economic growth next year, the institute said, which also will boost West German

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BUSINESS ROUNDUP

Cannon Secures Extension on Debt

By Our Staff From Dispatch
NEW YORK — Cannon Group Inc., the troubled independent film producer and distributor, secured an extension Monday as a deadline arrived on a \$76 million debt payment to Bond Corp. Holdings Ltd.

The debt stems from Cannon's \$26.7 million purchase in May of Screen Entertainment Ltd., Britain's largest film production and distribution company, from the control headed by Alan Bond, an Australian businessman.

Lear Siegler Plan To Fight Takeover To Be Reinstated

By Los Angeles Times Service
SANTA MONICA, California — Lear Siegler Inc., an aerospace and manufacturing conglomerate that is fighting a \$1.5 billion takeover bid by AFG Partners Inc., has reinstated a shareholder rights plan to fight the bid.

The company said that its board of directors agreed to reinstate the plan that originally had been canceled in order to merge with Wickes Cos. But the retreating conglomerate abandoned its \$1.7 billion merger agreement with Lear Siegler last Tuesday because it had trouble obtaining financing.

The strategy, agreed to Friday by the board in a telephone vote, is intended to discourage unfriendly takeovers by making the company much more expensive.

Lear Siegler said the move would give its shareholders the right to purchase common stock of either Lear Siegler or of any company that acquires it at half the market price. The plan would also create a new class of preferred stock valued at \$15,500 a share.

Cannon and Bond Holdings announced jointly they had reached an agreement to extend the deadline on Cannon's debt payment to Friday, as well as the conversion of \$30.6 million of the debt into four-year senior subordinated notes.

Bond Holdings had warned last week in documents filed with the U.S. Securities and Exchange Commission that it might request immediate payment on a \$30.6 million note if Cannon failed to make the \$76 million payment Monday.

Cannon said Monday it also was granting \$60,000 warrants to Bond to purchase its common stock at \$10 a share. If the payment is made Friday, Bond said it would grant Cannon certain distribution rights in Australia.

The debt payment is only the latest in a series of problems that has plagued the company. The SEC is formally investigating Cannon's accounting methods, and some shareholders have filed suit charging the company with violating its sales and earnings suit charging securities laws.

(Reuters, NYT)

COMPANY NOTES

Broken Hill Pty. has formed a venture-capital limited partnership with Advent International Corp. of the United States with an initial commitment of about \$15 million. The U.S.-registered partnership has BHP as the only limited partner, providing 100 percent of the investment funds.

Cie. de Sales-Cobelia's stock offer by the French government, the first of a planned series of denationalizations, was oversubscribed 14 times. The Finance Ministry said the offer had drawn bids for 275 million shares in France, 14 times the 20 million shares offered domestically at 310 francs (about \$47) each.

Elektrowatt AG is selling its majority stake in Consistent Enterprises, a French company, to Salmag SA and Harward SA. Elektrowatt said the price was 280 French francs (\$43) a share worth a nominal 100 francs, but gave no further details.

Investcorp, the Bahrain-based investment banking

corporation, said its offer of 200 million 25 cent common shares was substantially oversubscribed. The offer will raise shareholder funds to about \$120 million at the end of 1986 from \$59 million in the previous year.

Swire Properties Ltd., a wholly owned subsidiary of Swire Pacific Ltd., has sold a 16-story office building in the Kowloon district of Hong Kong for 170 million Hong Kong dollars (about \$14 million), or 1,200 dollars a square foot (109 square meters). Swire said that Come Well Investment Ltd. had bought the building as a long-term investment.

TMOC Resources Ltd., the Australian oil and gas group, has urged shareholders to reject a takeover bid of 2.55 Australian dollars (\$1.68) a share by Elders Resources Ltd., saying it grossly undervalues the shares' value. Elders holds 19.9 percent of the 61.52 million listed shares in TMOC.

Swedish Bourse To Investigate Fermenta Value

By Reuters
STOCKHOLM — Bengt Ryden, chairman of the Stockholm stock exchange, said the bourse would investigate the biotechnology group Fermenta AB, whose entire board offered to resign on Saturday after auditors questioned the company's financial results.

"The bourse will immediately carry out an investigation of Fermenta's economic position," Mr. Ryden said in a statement.

Fermenta's main owner and chief executive, Refaat el-Sayed, is committed to paying debts of 554 million kronor (\$79.5 million) to the investment firm Industrivärden Group in the next few days. The stock exchange has suspended trading in shares of Fermenta and Industrivärden.

U.S. Bank Association to Form Insurance Firm

By James L. Rowe Jr.
WASHINGTON Post Service
WASHINGTON — The American Bankers Association has announced that it has formed an insurance company offering its 12,000 member banks both liability insurance for directors and officers and bond protection against employee fraud.

The organization, the most important trade association in the banking industry, said on Saturday that it decided to set up its own insurance company because of rising premiums for insurance protection and because of the declining number of companies willing to provide coverage.

Mark W. Olson, president of the association, cited the case of one banker whose premiums as a director and officer rose from \$1,867 in 1984 to \$19,720 last year.

Many types of insurance have become more expensive, and sometimes unavailable, in recent years because of large losses at a number of major property-casualty insurance companies.

A number of groups and companies have formed their own insurance companies to underwrite their own liability protection because of the difficulty and expense of obtaining the insurance from property-casualty companies.

For example, after Employers Insurance of Wausau canceled its policy for bank directors and officers in early 1985, BankAmerica Corp., the second-biggest bank company in the United States, set up its own insurance subsidiary in the Cayman Islands.

A spokesman for BankAmerica said the company decided a "captive" company would provide better terms than the insurance options then available.

A captive insurance company is one that is established by, and provides protection for, the company or industry group that set it up.

The U.S. League of Savings Associations, the major savings and loan association trade group, has set up its own insurance company.

The American Bankers Association company will begin issuing policies next month that will be effective Feb. 1. It will be a mutual company, owned by the banks that buy directors' and officers' insurance or employee bonds.

The association said Progressive Corp., an Ohio-based insurance holding company, will be responsible for the underwriting decisions "based upon guidelines approved by the captive's board of directors. Progressive will also handle claims adjustment."

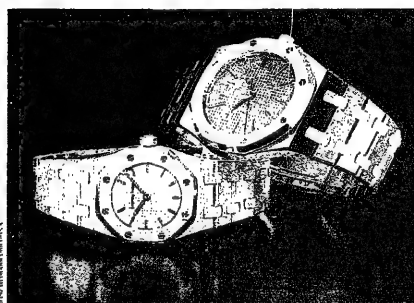
The directors will mostly be bankers. The board will be chaired by Ronald R. Gossett, the chief executive of Michigan's FMB-Lumberman's Bank who headed the task force that investigated whether the association should set up a captive insurance company. The captive will be in Bermuda for tax reasons, the ABA said.

Donald G. Ogilvie, the executive vice president of the ABA, said the coverage will be similar to that which is available in the private market, although premiums should be lower.

He said the premiums should have several cost advantages over private insurance companies. There will be no commissions, which average 15 percent to 18 percent, and the premiums will have to cover only estimated future losses.

The initial policy limits will be \$3 million for directors and officers and \$3 million for employee-disinvolvement insurance.

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